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PARIS, WEDNESDAY, OCTOBER 21, 1987

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Wall Street Rallies, Dow Gains 102; Losses Deepen in Tokyo and London

Markets in Europe, Asia Driven Lower by Turmoil

U.S. Shares Are Buoyed By Bond Prices, Dollar



Defense Secretary Caspar W. Weinberger with Crown Prince Abdullah bin Abdul Aziz of Saudi Arabia during welcoming ceremonies at the Pentagon on Tuesday.

U.S. Warns Tehran On Further Attacks

WASHINGTON — The United States warned Iran on Tuesday that it would again retaliate for any hostile action against it in the Gulf as U.S. warships began escorting another tanker convoy from Kuwait. Defense Secretary Caspar W. Weinberger said the United States would not further hostilities but was ready to deal with any Iranian response to Monday's U.S. attack on an Iranian oil complex. The United States said the complex was being used to launch military operations.

Compiled by Our Staff From Dispatches
Wall Street's historic crash on Monday reverberated through financial markets around the world on Tuesday, leading to record one-day drops in London and Tokyo and the closing of the Hong Kong exchange.

trading early that day, spilled back onto Tuesday's activity. The Hong Kong Stock Exchange, stunned by record losses, suspended shares and futures trading for the remainder of the week.

Most European markets were down sharply, although losses in some cities were cut in late trading. In London, the Financial Times 100-share index ended 250.70 points, or 12.22 percent, lower at 1,801.60. This fall came on top of the previous record plunge of 249.60 points on Monday.

The surprise announcement by the exchange's president, Ronald Li, came after the Hong Kong market suffered its worst one-day loss as share prices tumbled 11 percent Monday on the local Hang Seng Index.

In Paris, stock prices actually recorded a gain, although of less than 1 percent, reacting to an encouraging market opening in New York.

The suspension of trading is "to protect the investors and allow brokers to settle the backlog" from Monday's heavy trading, Mr. Li said.

The start of trading on the Milan stock exchange was postponed an hour on orders from the National Commission for Stock Exchange Companies. By the close, stocks there were down 4.4 percent.

Panic selling hit the Sydney Stock Exchange at the opening bell on Tuesday, with traders slashing 50 billion Australian dollars (\$36 billion) off the value of shares as investors dumped stocks across the board in the biggest fall in the market's history.

In Frankfurt, the other major European exchange, dealers said trading was chaotic, with some stocks drastically losing value and others rising. The Commerzbank index ended down 4.3 percent.

The visitors' gallery at the Sydney Stock Exchange was packed by small investors watching their fortunes turn to paper. It was pandemonium on the floor, with sellers rushing around trying to find buyers.

In Athens, cautious officials closed down the stock exchange for the day.

The Singapore stock market also fell as investors scrambled to get rid of shares. There was not a single gain among the 143 issues, with blue chips recording staggering falls.

In Tokyo, the 225-issue Nikkei Average, Japan's main barometer of stock performance, slipped 3,836.48 points, or 14.9 percent.

"This is worse than in 1929," said S.H. Chan, an analyst with Paul Morgan Associates. "Everything is rattled. It's happening so fast."

The decline far exceeded the previous record fall of 10 percent recorded following the death of Stalin on March 5, 1953, market officials said.

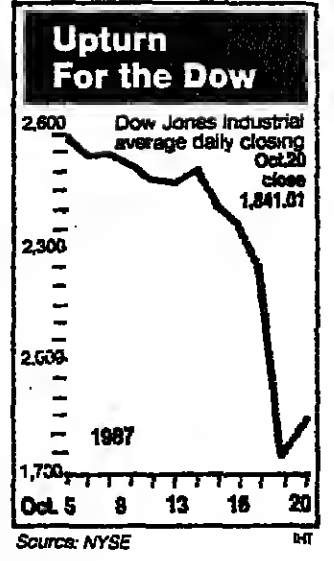
Stock markets also plunged in Malaysia, the Philippines, Taiwan and South Korea. (Articles about the European and Asian markets, Page 7.)



James A. Baker 3d, the U.S. Treasury secretary, arriving in Washington on Tuesday after cutting short a European trip.

U.S. Treasury Chief Under Fire

James A. Baker 3d, the U.S. Treasury secretary, arriving in Washington on Tuesday after cutting short a European trip. Last weekend, Mr. Baker criticized West Germany for raising interest rates, seeming to signal an unraveling of an accord to stabilize currency values. Nigel Lawson, the British chancellor of the Exchequer, was among those who said Mr. Baker's comments had helped spur a wave of stock sales worldwide.



On Monday, Both figures outstripped the previous record of 338 million set on Friday.

Related Articles

- Shares plummet in Asia and Europe. Page 7.
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World Stocks Continue Falling

City	Index	Point	Percentage
London	1,801.60	-250.70	-12.22
Paris	1,801.60	+0.79	+0.04
Frankfurt	1,669.40	-74.70	-4.28
Tokyo	21,910.08	-3,836.48	-14.90

U.S. Stock Slide Seen Adding to Risk of Recession

By John McCham
International Herald Tribune
NEW YORK — The historic plunge in stock prices in recent days threatens to trim U.S. economic growth next year and adds to the risk that the economy could slip into recession, many economists said Tuesday as they assessed the damage to investor confidence.

Most, a spokesman said, were eager to get out of stock mutual funds and into money-market funds. "People are going to be more tight-fisted with their money," said Robert Hormatz, vice president of Goldman, Sachs & Co., an investment banking firm.

Computer Trading: A Culprit?

Compiled by Our Staff From Dispatches
NEW YORK — In the aftermath of Monday's historic market plunge, the New York Stock Exchange asked its member brokers Tuesday not to use electronic facilities for computerized trading related to stock indexes, including the new technique called portfolio insurance.

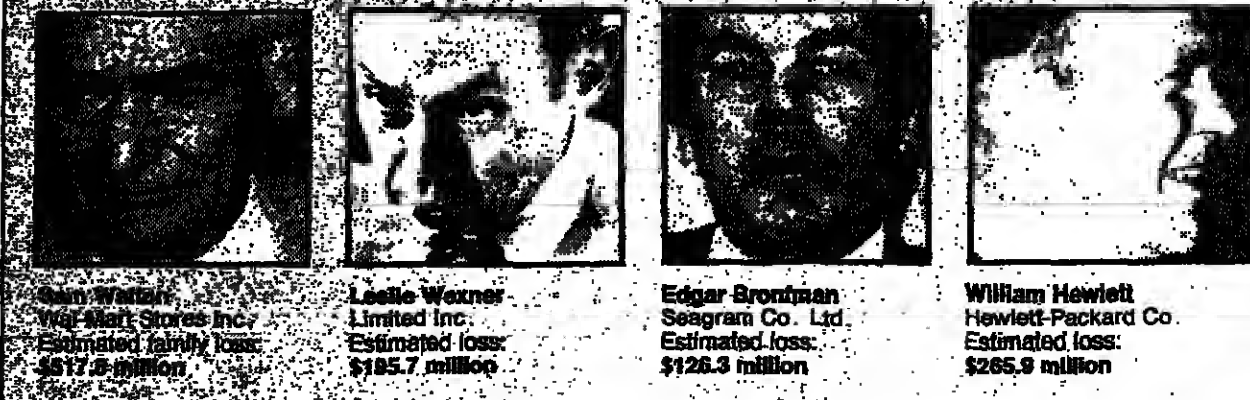
Kiosk

Zhao Confirmed In Party Post

BEIJING (WP) — The Central Committee of the Chinese Communist Party approved Tuesday an earlier decision to make Zhao Ziyang, 68, acting party chief. The committee also formally accepted Hu Yaobang's resignation from that post, the official Xinhua press agency said.

Aquino Toughens Tone, Vows to 'Rule Directly'

By Keith B. Richburg
Washington Post Service
MANILA — President Corason C. Aquino, confronting widespread criticism that she is weak and lacks vision, told Philippine business leaders Tuesday that she would drop her style of government-by-consensus and pledged: "Henceforth, I shall rule directly as president."



Sam Walton, Wal-Mart Stores Inc., Estimated family net: \$17.9 billion; Leslie Wexner, Limited Inc., Estimated loss: \$185.7 million; Edgar Bronfman, Seagram Co. Ltd., Estimated loss: \$126.3 million; William Hewlett, Hewlett-Packard Co., Estimated loss: \$265.9 million.

From Billionaires' Row: It's Only Paper

Compiled by Our Staff From Dispatches
NEW YORK — "It's paper anyway," said a philosophical Sam Walton, reflecting on the more than half-a-billion-dollar loss his assets sustained in the stock market plunge.

dropped 508 points. He seemed unfazed by the news. "As far as I'm concerned, we're focusing totally on the company doing well and taking care of our customers," he said.

Another Arkansas billionaire, Don Tyson, chairman of the Tyson Foods Inc. poultry concern in Springdale, was similarly blasé about his losses. "Basically, we'll run the chicken business and let the market take care of itself," he said.

Hewlett-Packard Co., the computer manufacturer, dropped \$265.9 million. Leslie Wexner, chairman and president of The Limited Inc., a clothes retailer, lost an estimated \$185.7 million; August Busch Jr., the chairman of Anheuser-Busch Companies Inc., the brewer, lost \$189.4 million; and Edgar Bronfman, the chairman of Seagram Co. Ltd., lost \$126.3 million.



Jacqueline du Pré, the British cellist whose career was interrupted by multiple sclerosis, is dead at 42.

GENERAL NEWS

India said its troops had cut off the escape routes of Tamil rebels in Sri Lanka. Page 2.
Vice President George Bush, in a gamble, has begun to move to the political center. Page 3.
Dow close: UP 102.27
The dollar in New York:
DM £ Yen FF
1.8105 1.6315 143.95 6.942

Act now

India Says It Cut Off Tamil Escape Route In Sri Lanka Battle

COLOMBO, Sri Lanka—Fierce fighting continued Tuesday in Jaffna as India reported that its troops had seized a major road and cut escape routes of Tamil rebels from their last major stronghold.

Sri Lankan military officials said that the rebels were continuing to put up fierce resistance but that the Indians controlled strategic positions throughout the city in the heart of the island's Tamil-dominated northern region.

D.K. Mantra, an Indian Foreign Ministry spokesman, said in New Delhi that by daybreak Tuesday Indian soldiers had "re-established control of the coastal road" along the lagoon on the south side of Jaffna.

India forbids journalists from entering the combat zone, and no independent confirmation of the situation in Jaffna was available.

Jaffna was reportedly still webbed with mines and booby traps on the 11th day of an assault that has left hundreds dead.

Sri Lankan officials said fierce fighting was still raging in and around the two-square-mile (five-square-kilometer) heart of the densely populated fishing port, where 8,000 Indian troops are pitted against 2,500 fighters of the Liberation Tigers of Tamil Eelam.

Reports from officials and refugees said two-thirds of the city's 150,000 residents had fled or sought refuge in schools, Hindu temples and public buildings.

The city is on the Jaffna Peninsula, which is joined to the rest of Sri Lanka by a narrow isthmus. Residents who fled city 185 miles (300 kilometers) north of Colombo said people used small boats to cross the shallow lagoon to the main part of Sri Lanka.

About 17,000 Indian soldiers are in Sri Lanka trying to end a four-year guerrilla war by Tamils against the Sinhalese-dominated government. The war has left more than 6,000 people dead.

A peace accord between the two sides, which India agreed to enforce, was signed on July 29, and the Indian offensive began Oct. 10.

Sri Lankan military officials said the Indians were making house-to-house searches and detaining men for questioning. Many rebels wear ankle-length sarongs and have avoided capture by blending with the civilian population.

Figures provided by the Sri Lankan military officials Tuesday said 47 rebels had been killed in the previous 24 hours, bringing the toll to 563 since the offensive began. The officials said 123 Indian soldiers had been killed and 25 were missing.

The Liberation Tigers, who did not surrender their weapons as the peace agreement required, want an independent Tamil nation in northern and eastern Sri Lanka.

About 75 percent of Sri Lanka's 16 million people are Sinhalese, most of them Buddhist, and 18 percent are Tamils, nearly all of whom follow Hinduism, but there are Christians in both groups.



9 Die as Air Force Jet Hits Hotel in U.S.
Rescuers moved a victim Tuesday after a U.S. Air Force fighter jet crashed into a hotel lobby near Indianapolis International Airport, killing at least nine people and injuring at least 10. The pilot, on a routine training flight, bailed out before the crash.

Sikh Gunmen Kill 9 at Festival Near New Delhi

NEW DELHI—Assailants identified as Sikh militants opened fire Tuesday night on crowds gathered for a religious festival, leaving at least nine persons dead in a New Delhi suburb.

Fifteen people were reported injured and one of the gunmen was later reported killed in a gun battle with police several miles away.

The attack, coming on the eve of the festival of Diwali, threw a pall over what is usually one of the most joyous times of the year in India, especially throughout the northern part of the country.

Relations between Sikh militants and government security forces have been tense over the past several days following a call for a major Sikh gathering in Amritsar, the Sikh holy city in Punjab State, on Thursday to support demands for a separate Sikh homeland to be called Khalistan.

Dozens of militant Sikh leaders, including four high priests, have been placed under preventive detention in an apparent effort to block the meeting.

Eye-witnesses said the gunmen shouted "Khalistan zindabad," or long live Khalistan, as they opened fire on crowds at the main festival ground at Chittaranjan Park in south New Delhi.

Residents said the area was "in panic" after the shootings.

The gunmen also reportedly later struck at Nanakpura, about three miles (five kilometers) away, and the adjoining community of Dhaula Kuan.

Few occasions could be more symbolic than Diwali for a terrorist attack designed to strike at the Hindu community.

Melas, or fairs, spring up all around New Delhi in the days before Diwali, a major fall festival.

Most are sponsored by neighborhood committees and turn into large local gatherings. Starting Wednesday night, many of the melas grounds turn into prayer sites.

The same part of New Delhi was the scene of two other terrorist attacks this past summer. Gunmen killed 13 people in an adjacent neighborhood in mid-June and two in another nearby community at the end of July.

GULF: U.S. Warns Iran

(Continued from Page 1)

ed States was not seeking a war with Iran.

The U.S. attack "was a well-timed, precise, restrained, definite response to Iranian attacks and most recently on an American-flagged ship," he said. "I think it was not only entirely appropriate but necessary under the circumstances."

Asked if Washington was "backing into war," Mr. Shultz replied, "No."

Mr. Shultz was in London for talks on the Gulf War and Middle East peace with King Hussein of Jordan. He also met with the British foreign secretary, Sir Geoffrey Howe.

Later, Mr. Shultz flew to Helsinki and will go from there to Moscow for two days of talks with Soviet officials on prospects for an arms control treaty.

In Moscow, Gennadi I. Gerasimov, the Foreign Ministry spokesman, said Tuesday the U.S. attack on the Iranian platform was an "obvious violation of international law" but was unlikely to have any major impact on the visit of Mr. Shultz.

Jacqueline du Pré, British Cellist, Dies

LONDON—Jacqueline du Pré, the British cellist whose international career was cut short by a multiple sclerosis, died here Monday night. She was 42.

Elegance and Ferocity

Miss du Pré, who was stricken with multiple sclerosis in 1971, had a career that lasted barely a decade. But during her prime she was recognized as one of the world's leading cellists and served as a role model for many young musicians.

During the late 1960s and early 1970s, Miss du Pré and her husband, the conductor and pianist Daniel Barenboim, seemed a charmed couple. Often compared with Robert and Clara Schumann, they were admired for their energy, musicality and youthful glamour.

Miss du Pré's playing was characterized by an unusual mixture of elegance and ferocity.

"Miss du Pré is a cellist in the

modern vein," Harold C. Schonberg wrote in *The New York Times* after a 1967 concert. "There is plenty of strength to her playing, and a good measure of romanticism without the romantic string mannerisms of portamento [sliding from note to note] and a fast wide vibrato. She can produce a mellow sound of unusual size and clarity was born to play the cello."

Miss du Pré excelled in a wide variety of music, specializing in the sonatas of Johannes Brahms and the concertos of Haydn, Boccherini, Schumann, Dvorak and Saint-Saëns. She had a particular affinity for English music, and made memorable recordings of the Delius and Elgar concertos. The Elgar was associated more closely with her than with any other cellist since Beatrice Harrison, who died in 1965.

Raymond Ericson, reviewing a 1965 performance of the Elgar work for *The Times*, observed that "Miss du Pré and the concerto seemed made for each other, be-

cause her playing was so completely imbued with the romantic spirit. Her tone was sizable and beautifully burnished. Her technique was virtually flawless, whether she was playing the sweeping chords that open the concerto, sustaining a ravishing pianissimo tone, or keeping the fast repeated note figures in the scherzo going at an even pace."

The first signs of her illness appeared when she was 26 and at the height of her fame.

"My hands no longer worked," she recalled in 1978. "I simply couldn't feel the strings." She withdrew from concertizing for a year, then returned to missed reviews. The diagnosis of multiple sclerosis followed shortly, and she retired.

By the mid-70s, she was virtually paralyzed. She could no longer dress herself, not stand unaided, nor travel without a great deal of planning. She put all her energies into teaching, whenever possible, and working for the cause of multiple sclerosis research.

Dr. Philip Levine, 87, **Found Key Blood Factors**

NEW YORK (AP)—Dr. Philip Levine, 87, who discovered the Rh factor in human blood, died here Sunday.

Dr. Levine received numerous awards for his discovery of key blood factors, for greatly increasing the safety of blood transfusions and for identifying the Rh hemolytic disease.

Mitterrand Alters Views On A-Attack

BONN—President François Mitterrand of France tried on Tuesday to allay West German fears that French short-range nuclear weapons might be fired into West German territory in any possible future war in Europe.

French presidential sources said that Mr. Mitterrand, on the second day of a state visit to West Germany, told Chancellor Helmut Kohl that he was shifting his thinking on how to use France's independent nuclear forces.

The sources said that Mr. Mitterrand saw little point in firing short-range French missiles at Warsaw Pact forces if they invaded Western Europe, since the warheads would land in West German territory.

Mr. Mitterrand, they added, preferred to reserve France's nuclear capability for a long-range strike directed at the source of an imagined attack—Moscow.

Neither the present Pluton missile nor its planned replacement, the Hades, are capable of reaching East bloc territory from France.

At a state dinner on Monday, Mr. Mitterrand gave his first public hint of his shift in position by saying that France would strike directly at an aggressor.

"France's nuclear strategy is directed at the aggressor and at him alone, in order to deter him," Mr. Mitterrand said in a toast to his host, President Richard von Weizsäcker. "Let us never forget that."

French doctrine has stated that Pluton and Hades were designed as "pre-strategic" systems, to deliver a final battlefield warning to an aggressor before the big "doomsday" nuclear weapons were fired.

Mr. Mitterrand's remarks in Mr. Kohl were believed to be directed against a concern in Bonn that the French systems—with ranges of less than 240 miles (400 kilometers)—would only cause further destruction in West Germany, and were thus of little defense value.

Mr. Mitterrand, as president, has sole responsibility for pressing the French nuclear button.

In other meetings, Mr. Mitterrand talked with Foreign Minister Hans-Dietrich Genscher on East-West relations, disarmament, and preparations for a European Community summit meeting. Mr. Mitterrand and Mr. Kohl laid wreaths at the grave of Konrad Adenauer, who as West German chancellor began the task of reconciliation with France after World War II.

MANILA: Aquino Toughens Tone, Vows to 'Rule Directly' and Stop Strikers

(Continued from Page 1)

Comunist Party of the Philippines.

The announcement drew praise from businessmen who hailed Mrs. Aquino for finally taking a tough stand to end mounting labor unrest.

Mrs. Aquino also ordered an investigation into the frequent power shortages that plague the city.

"A president is supposed to be above details," Mrs. Aquino said, "but it seems I must do everything myself."

Mrs. Aquino also chided the military and her appointed local officials for not handling her "string of victories" against the country's Communist insurgents. "I have said all that needs to be said. Am I also expected to take up an M-16 myself and do it?"

Regarding allegations of high-level corruption that have been plaguing her government, Mrs. Aquino said, "I have heard the talk of the coffee shops. I am addressing your concern about graft and corruption." She said she had ordered the special prosecutor to give "first priority" to graft cases against public officials, including cabinet members.

The president drew the loudest applause when she spoke of how the government would respond to the rash of illegal strikes.

"I will not allow an unruly minority to use the rights of labor,"

which she said was meant to improve the conditions of labor. "To achieve a Communist victory instead. The way to power is the ballot, not the strike."

"I therefore order the police and other peacekeeping authorities to give full assistance to the Labor Department to remove all illegal blockades at the factory gates," Mrs. Aquino said.

Business leaders and political analysts agreed that Mrs. Aquino had addressed all the major concerns of her detractors, lashing back at her critics and leaving the impression that she has changed her style of management.

"You can see a very big difference," said one businessman, Raul Concepcion, after the speech. "She's in full control, you can see."

The speech had been billed as perhaps Mrs. Aquino's last best chance to assuage fears in the business community that she was not fully in control of her government.

Mrs. Aquino defended her record on the economy, including the impressive growth of more than 5 percent last year, a modest increase in investments and her dismantling of the economically oppressive monopoly structure set up under the deposed president, Ferdinand E. Marcos.

However, Mrs. Aquino acknowledged that the economic gains had been set back by the "public reac-

tion to the Aug. 28 coup attempt—the reaction, let me emphasize, not the coup attempt."

After the attempted takeover, the government became embroiled in a bitter round of recrimination that led Mrs. Aquino to fire her two closest cabinet aides.

Mrs. Aquino conceded that the coup attempt "reveals a fissure in the military—that is true." But she asked her audience to remember that the majority of the armed forces remained loyal to her government and that the coup attempt was quickly crushed.

Spanish Dissident Quits Party Post

MADRID—The most vocal dissident in Spain's governing party has resigned after accusing a party leader of being involved in a real estate deal with a rightist politician.

Pablo Castellano resigned Monday as head of the Socialist Left faction of the Socialist Workers Party to avoid involving the party in controversy, a party spokesman said.

The politicians alleged to have been involved in the property deal have threatened to sue Mr. Castellano for his accusations.

WORLD BRIEFS

Lebanon Assembly Re-elects Speaker:
BEIRUT (AP)—Hussein Husseini, a Shiite Muslim, was re-elected speaker of the Chamber of Deputies on Tuesday for a fourth one-year term.

The election was held amid heavy security around the parliament building, near the line that divides Beirut's Muslim and Christian sectors. Mr. Husseini, a pro-Syrian politician who was first elected speaker in 1984, was the only candidate. An official statement said 51 of the 67 deputies present voted for him. One deputy abstained and 15 cast blank ballots.

Also Tuesday, schools throughout the country closed as Lebanon's 27,000 teachers began a strike, demanding wage increases.

UN Is Made Scapegoat, M'Bow Says
PARIS (Reuters)—Amadou Mahtar M'Bow of Senegal, defeated for a third term as head of UNESCO, accused his critics Tuesday of trying to make the United Nations a scapegoat for the world's political problems.

Mr. M'Bow, director-general of the United Nations Educational, Scientific and Cultural Organization for 13 years, defended the UN. He said at the start of a meeting of UNESCO's 158 member states. He made no direct reference to his defeat by a Spanish biochemist, Federico Mayor Zaragoza, who was nominated for the leadership on Sunday after a divisive election. The general conference of UNESCO must now approve the board's nomination.

The conference has in the past always accepted the board's recommendation but diplomats say some of Mr. M'Bow's African supporters may attempt to overturn the nomination.

Jamaican Suspects Held in U.S. Sweep
WASHINGTON (AP)—Law enforcement officials said Tuesday that they had arrested more than 100 Jamaican-American gang members in a sweep of 13 states and the District of Columbia. The groups, known as the Jamaican Poses, "are probably this country's most violent" organized crime gangs, said Stephen E. Higgins, director of the U.S. Bureau of Alcohol, Tobacco and Firearms.

Mr. Higgins said at a news conference that the Jamaican Poses, which take their name from television Western shows, had been connected to more than 600 drug-related murders and to kidnapping, narcotics trafficking, gun trafficking, robbery, assault and money laundering.

He said that 118 suspects had been taken into custody since the sweep began Monday afternoon. Officials expect more than 200 of the gang members to be arrested by the time the sweep ends Wednesday.

Karpov Resigns Adjourned Game
SEVILLE, Spain (AP)—Anatoli Karpov, the challenger in the world championship chess match here, resigned the adjourned fourth game Tuesday without returning play, the chief arbiter announced.

The game was adjourned Monday night with Garry Kasparov, the titleholder, two pawns ahead.

Mr. Kasparov's victory evened the score of the match at two points each. The winner of the 24-game series will be the first player to score 12 and a half points or achieve six victories. In the event of a 12-12 tie, Mr. Kasparov will retain his title.

GAME 4 ENGLISH OPENING

White	Black	White	Black	White	Black
Kasparov	Karpov	Kasparov	Karpov	Kasparov	Karpov
1. e4	Nf6	15. Rf4	e6	29. ecd5	R3e7
2. Nc3	e5	16. Rd1	Qe5	30. Rf1	b5
3. Nf3	Nc6	17. Qf3	Rd7	31. J4	a5
4. e5	Bd4	18. Nf5	Rf5	32. Bf5	Qc7
5. Bg2	O-O	19. Rd5	Qe6	33. a5	Kf6
6. O-O	e4	20. Qx4	Re7	34. Bd3	Rb7
7. Ng5	Bxc3	21. Qb4	Nd7	35. Rxb7	Re3
8. Bxc3	Rc8	22. Rf3	Nf8	36. Bb5	Rc3
9. B3	exd3	23. Rf3	Qe5	37. Rxe7	Np7
10. Nd3	Qe7	24. d4	Qe4	38. Rd7	Nc5
11. e3	Ne5	25. Qxe4	Rxe4	39. Rxd4	Kf5
12. Nd4	Nc3	26. Nd7	Rc3	40. a6	Ra3
13. Qe2	Nxc1	27. e5	Ra8		
14. Raxc1	d6	28. Rb7	cd5		

Black resigns.

Moscow Holds Key, Peres Aide Says

JERUSALEM (Reuters)—An aide to Foreign Minister Shimon Peres of Israel predicted Tuesday that Prime Minister Yitzhak Shamir would accept an international Middle East peace conference if Moscow allowed Soviet Jews freedom to emigrate.

"If there is a significant change on the Jewish problem, there will not be a government in Israel that could say no to involvement in the peace process," said Yossi Beilin, director-general of the Foreign Ministry.

Mr. Shamir has repeatedly rejected a conference, saying its sole aim would be to force Israel to withdraw from captured Arab land to borders that are indefensible. He and Mr. Peres, leaders of rival parties, are partners in a three-year-old government coalition.

Poles Will Free Danes for \$500,000

WARSAW (UPI)—A government spokesman said Tuesday that two Danes recently sentenced to long prison terms for spying can be freed with a payment of \$500,000.

The spokesman, Jerzy Urban, said a military court in Koszalin "set a bail of a half million dollars for the freeing of two Danish spies." Poland has in the past accepted payments for the release of convicted agents.

Jenssen Ellekaer, 36, was sentenced to nine years and Niels Hemmingsen, 23, seven years on Sept. 5. Mr. Urban said the two, caught taking photos of military airports, had admitted they were members of the Danish intelligence service.

Ex-Soldier Finds Daughter in Vietnam

BANGKOK (AP)—A former U.S. Army medic, Barry Huntoon, flew Tuesday to the United States with the daughter he fathered in Vietnam 15 years ago and recently rescued from a life of selling peanuts on the beach.

Mr. Huntoon, now married with three children in the United States, met his half-Vietnamese daughter, Tran Thi Tuyet Mai, for the first time Oct. 12, when he went to Ho Chi Minh City.

He lost all contact with Mai and her mother in 1975, when the war ended, until he saw Mai's photograph in *Life* magazine two years ago. Contacts in the Philippines and Vietnam helped locate the girl in Vung Tau, where she was selling peanuts on the beach. The girl's mother is also expected to leave Vietnam soon.

For the Record

Kidnappers in Italy freed a clothing dealer late Monday, 19 days after they seized him from a sales room in Ercolano, just south of Naples. The police said the merchant, Gerardo Cuzzolino, 26, was released in Casoria, on the outskirts of Naples. Unconfirmed reports said Mr. Cuzzolino's family paid a ransom of 400 million lire (\$311,000). (UPI)

Nasser Hassan al-Ali, a Palestinian who attempted to plant a suitcase bomb on an Israeli airliner last year in Madrid, was sentenced Tuesday to 47 years in prison by a Madrid court. (Reuters)

The death toll in the crash of two commuter trains in Indonesia grew to 162 Tuesday, with 270 people hospitalized. A rescue official said the toll could reach 200. (UPI)

TRAVEL UPDATE

Australian Unions Ban Fiji Flights
MELBOURNE (AFP)—Australian trade unions decided Tuesday to ban international flights between Australia and Fiji beginning Nov. 1 if the request of Fiji's unions, which charge they are being persecuted by the new government.

The bans would apply to Qantas, which operates three flights a week, Canadian Pacific and Fiji's national carrier, Air Pacific, according to Sue Crean, president of the Australian Council of Trade Unions. The council includes about 20 organizations.

The government of Colonel Sitiveni Rabuka, which took control of Fiji in a coup Sept. 25, has been accused of persecuting union officials. Ms. Crean said the two-week grace period was designed to allow tourists to leave Fiji.

The Prado Museum in Madrid was closed Tuesday at the start of a two-day strike by staff over pay, a museum spokesman said. (Reuters)

Moscow's four main airports handling both international and domestic flights have been closed for two days because of fog, leaving more than 19,000 passengers stranded in two domestic terminals since Monday, the official Tass press agency said Tuesday. (UPI)

Assad Visits Bulgarian Leader

VIENNA—President Hafez al-Assad of Syria arrived Tuesday in Bulgaria for talks with Todor Zhivkov, the Bulgarian president and Communist Party leader.

DEATH NOTICE

CARDWELL, on October 18, Hugh Maitland Elliott, Formerly New School, Rome. Donations for Ken Gardner to his daughter, Carolea Cook, Burgate Farm, Harwood Dale, Scarborough, Yorkshire.

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East German Flees to West
HAMBURG—An East German man set off an alarm trying to cross the border to West Germany but managed to reach Lower Saxony unharmed. West German border police said Tuesday that the evaded a 26-year-old bricklayer, who was believed to be directed by hiding in bushes and then climbing over border fortifications.

WORLD STOCKS IN REVIEW

Stock markets in major world cities were mixed Tuesday, with gains in London and New York offset by declines in Tokyo and Hong Kong. In London, the FTSE 100 index rose 1.2 percent to 2,814.5. In New York, the Dow Jones Industrial Average gained 1.1 percent to 2,814.5. In Tokyo, the Nikkei 225 index fell 1.5 percent to 18,145. In Hong Kong, the Hang Seng index dropped 1.8 percent to 1,814.5.

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World Stocks in Review

J.S. Democrats Urge Reagan to Join Them in 'Economic Summit'

By Tom Kenworthy
Washington Post Service

WASHINGTON — Democratic congressional leaders, responding to the Reagan administration's proposal to join them in an "economic summit" meeting to resolve the nation's budget impasse and averted economic problems.

Nonetheless, a new round of negotiations broke out between Capitol Hill and the White House.

A Democratic plan to raise taxes, even as lawmakers from both parties said the summit on the stock market necessitated an end to the partisan squabbling that has marked this year's debate over the nation's budget and trade deficits.

There were appeals for a negotiated end to the budget stalemate as congressmen worried about the impact of Monday's stock market plunge, as well as a general realization that the government's fractured response to the fiscal deficit had contributed to the economic problems.

The House speaker, Jim Wright, called for an end to "partisan political posturing, finger-pointing and blame placing." The Texas Democrat urged President Ronald Reagan to join Congress in "convening an economic summit without crippling preconditions, to deal with America's long-term structural problems."

The Senate Democratic majority leader, Robert C. Byrd of West Virginia, urged Mr. Reagan "to get up to reality" by negotiating with congressional leaders on the deficit to "show the American people and investors all over the world that this government is capable of doing."

The chairman of the Senate Budget Committee, Lawton Chiles, Democrat of Florida, introduced a resolution calling for such a summit meeting that included a long list of economic concerns including the fiscal and trade deficits, dollar stabilization, and reduction of the Third World debt.

Senate Republicans reacted coolly to Mr. Chiles' resolution, calling it too broad, but even Minority Leader Bob Dole, a Kansas Republican, urged that a high-level conference be convened to deal with that deficit out there (that) is public enemy number one."

However, in an appearance before the House Budget Committee, he laid out details of \$23 billion

worth of across-the-board budget cuts that began taking effect Tuesday. White House budget chief James C. Miller 3d reiterated Mr. Reagan's position that he would not participate in budget negotiations with Congress if a tax increase is part of the agenda.

"It's a very bad situation and I don't think the President is in the mood to do that right now, although he might change his mind," said Mr. Miller. "If you've got taxes on the table, the president wants off."

The budget chief also held to the argument, first put forward over the weekend by Treasury Secretary James A. Baker 3d, that the push for higher taxes and "protectionist" trade legislation by the Democratic-controlled Congress had contributed to the dislocations on world markets.

His repudiation of the administration's consistent hard-line rejection of any tax increase angered Democratic members of the budget panel. They promptly voted on legislation that partially met this year's \$23 billion deficit-reduction target by raising \$12 billion in taxes and saving another \$4.7 billion through changes in federal spending policies.

Despite the intensity of the partisan rhetoric on Capitol Hill yesterday, the financial stocks of the past week appeared to produce a new willingness among lawmakers to shoulder their share of the blame and to consider spending cuts that before seemed heretical.

"We're all part of the problem," said Representative Jim Slattery, a Kansas Democrat who is one of a growing number of moderates in his party calling for a balanced package of revenues and budget cuts.

Budget Trimming Begins

President Reagan began Tuesday by systematically cutting \$23 billion in spending from federal programs under the budget-balancing law, because he and Congress have failed to compromise on a plan to reduce the federal deficit more selectively, the Associated Press reported from Washington.

The cuts are temporary, with the money held in escrow, because the law gives Congress and the president a month to find alternative ways of reducing the deficit for the 1988 fiscal year. But the cutsback become permanent on Nov. 20 if a compromise is not reached.

Bush, in Gamble, Edges Forward Political Center

By Gerald M. Boyd
New York Times Service

WASHINGTON — Vice President George Bush, in an uncharacteristic political gamble, has begun to move toward the political center of the hope of capturing the Republican nomination, aides and analysts say.

The shift, evident as Mr. Bush formally announced his candidacy last week, is already fueling a new round of debate over the true political attitudes of the vice president and over what specific message he is now trying to convey.

Although it was clear from the outset that he was seeking to position himself as a moderate, it is far less clear from the specifics of those speeches where he was trying to place himself on the moderate-to-conservative spectrum.

"My sense of it is that he is portraying himself as a moderate who wants to continue the basic mission of the Reagan revolution with no radical departures," said William Schneider, a political analyst with the American Enterprise Institute, a Washington research group. "The subtext of the message is that he will pay some attention to the errors."

The position Mr. Bush has assumed was clear in his first formal week of campaigning, designed to present what he termed "my leadership" and "my agenda" for leading the country.

For example, he told supporters in Chicago, Cedar Rapids, Iowa, and Atlanta that he would not support reducing the federal deficit through a tax increase, as some Democrats are supporting. But he made no comment on whether he would cut military spending.

In fact, as he discussed reducing the federal deficit, he said at one point that "tough decisions" had to be made on which spending cuts to make. At another point last week, before the stock market collapse Monday, he said that a robust economic environment needed to be maintained to limit the need for spending cuts. He said Congress had the president had to "sit down and make a deal" on a way to reduce the deficit.

"I guess that I can't argue with the assumption that he is trying to move back toward the center," said Eddie Malle, a campaign consultant, "but I guess I am at a loss to say why."

Although Mr. Bush has denied that he is distancing himself from the president, aides and other advisers say the tone struck by the

vice president in the first week of campaigning was designed to indicate differences in how he would lead the country, compared with Mr. Reagan's approach.

Mr. Bush included in the announcement speech the statement that "a president can set a tone, an atmosphere, a mood," and he went on to call for a new harmony among the races and greater tolerance.

One adviser said, "What Bush said wasn't conservative or liberal, it is how the Republican Party ought to sound. It is how the Republican Party ought to be."

But some political analysts say Mr. Bush has rekindled the debate over his own political leanings, in which he has been presented at varying times as a moderate and a conservative.

That is especially the case, they say, because he left unclear specifics that might offer a better indication of where he is heading politically. The chief exception is on arms control. He voiced unqualified support of Mr. Reagan's tentative agreement with the Soviet Union to eliminate intermediate-range nuclear missiles.

The vice president did not offer programs and policies different from what Mr. Reagan has pursued to explain in detail his call for a "new harmony." When asked what he would do differently, he said merely that he that would use the White House as a "bully pulpit" to speak out against injustice and abuses.

Similarly, Mr. Bush said that he would use that pulpit to promote education, his top domestic priority, while keeping increases in federal spending to a minimum.

"We are not talking about a massive reallocation of money," he said, "but some reallocation of priorities."

Asked how about how he would ease the foreign trade imbalance, Mr. Bush said only, "I keep saying that is getting better, but I'm not sure I'm right."

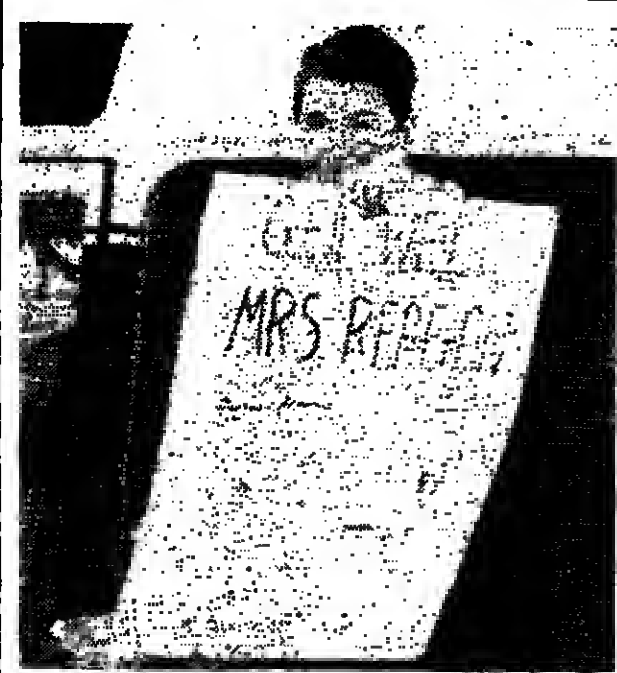
WORLD STOCKS IN REVIEW
BY THE ASSOCIATED PRESS

NEW YORK — The Dow Jones Industrial Average closed Tuesday at 2,814.34, down 10.14 points from its previous close. The S&P 500 index fell 1.14 points to 187.14. The New York Stock Exchange volume was 1.1 billion shares.

Other major indices: NYSE Composite - 1.14 down; NYSE Midcap - 1.14 down; NYSE Smallcap - 1.14 down; NYSE Biotech - 1.14 down; NYSE Energy - 1.14 down; NYSE Health Care - 1.14 down; NYSE Technology - 1.14 down; NYSE Utilities - 1.14 down.

INTERNATIONAL: London - 100.00 down; Tokyo - 100.00 down; Frankfurt - 100.00 down; Paris - 100.00 down; Amsterdam - 100.00 down; Zurich - 100.00 down; Hong Kong - 100.00 down; Singapore - 100.00 down; Sydney - 100.00 down.

COMMODITIES: Gold - 380.00 down; Silver - 10.00 down; Oil - 20.00 down; Wheat - 1.00 down; Corn - 1.00 down; Soybeans - 1.00 down; Cotton - 1.00 down; Sugar - 1.00 down; Coffee - 1.00 down; Cocoa - 1.00 down; Rubber - 1.00 down; Lumber - 1.00 down; Copper - 1.00 down; Aluminum - 1.00 down; Zinc - 1.00 down; Lead - 1.00 down; Nickel - 1.00 down; Platinum - 1.00 down; Palladium - 1.00 down; Uranium - 1.00 down; Natural Gas - 1.00 down; Heating Oil - 1.00 down; Gasoline - 1.00 down; Diesel - 1.00 down; Propane - 1.00 down; Ethanol - 1.00 down; Biodiesel - 1.00 down; Coal - 1.00 down; Uranium - 1.00 down; Natural Gas - 1.00 down; Heating Oil - 1.00 down; Gasoline - 1.00 down; Diesel - 1.00 down; Propane - 1.00 down; Ethanol - 1.00 down; Biodiesel - 1.00 down; Coal - 1.00 down.



EXECUTIVE GREETINGS — President Ronald Reagan arriving at Bethesda Naval Hospital to visit his wife, Nancy, Mrs. Reagan was "recovering very well" from her breast cancer surgery, a White House spokesman said Tuesday, and may go home by the end of the week.

AMERICAN TOPICS

Women Firefighters Contest Physical Tests

U.S. fire departments have been hiring women for the past decade. Today, the 218,000 paid firefighters in the United States include 1,500 women, or less than seven-tenths of 1 percent. But the number of women has tripled since 1983, according to estimates by Women in Fire Suppression, which supports women firefighters.

The New York Times says that perhaps the most contentious issue over hiring women involves tests of physical speed and strength. In New York City, applicants are tested, among other things, on how long it takes them to drag a 50-foot (15-meter) hose 75 feet, carry a 46-pound (20-kilogram) hose up three flights of stairs and crawl through a 25-foot tunnel. The New York Supreme Court has ruled that the test is valid. But hiring procedures are still being litigated in Cleveland, San Francisco and elsewhere.

Lauren Howard, who for years was the only woman in the Chicago fire department, said: "You have to ask yourself, if it was your child or mother, who do you want to go and get her down the ladder? Do you want somebody big, incredibly strong, extremely fast, or someone who is average?"

Linda Willing, a firefighter in Boulder, Colorado, is 5 feet 4 inches (1.64 meters) tall and weighs 112 pounds. She concedes she does not do some things well because of her size. But that same size means that "I'm the first one in to attic fires" and "I can stay longer in a fire than almost anybody I know — a lot of these big guys deplete an air pack in 10 minutes."

Short Takes

Richard Arrington Jr., the first black mayor of Birmingham, Alabama, has won a third four-year term with 64 percent of the vote to 35 percent for his white opponent. Mr. Arrington, 53, got 98 percent of the city's black votes and polled 10 percent among the whites, who make up 45 percent of the city's registered voters. "They're still not comfortable with me," Mr. Arrington said of the whites. "But I won't give up on them." However, race was not an issue in this election as it had been in the two previous ones, and Donald Newton, a white who heads the Chamber of Commerce, said, "There is a feeling of approval of what he has done."

"According to a survey taken in 1985, about 11,000 high school youngsters were taking Japanese." The Washington Post says in an editorial. "That's more than most people would have expected, and Japanese instruction is expanding rapidly. But that number still represents well under one-tenth of 1 percent of the country's high school enrollments." The Post says the vast flow of transactions between the two countries "moves through an astonishingly small number of interlocutors who know both languages, and at these crucial points of contact it is far more likely to be the Japanese partner who is bilingual."

Kevin Sweeney, press secretary to Gary Hart when the former Colorado senator was the leading contender for the Democratic presidential nomination, is now a waiter in a San Francisco restaurant. He makes occasional paid lectures, and says he has been offered posts in other political races in the \$50,000 range, but cannot work up the required enthusiasm for the candidates. Mr. Sweeney, 29, says he is undergoing a kind of intellectual depression, reading George Orwell's "Down and Out in Paris and London" and being reminded of "the unbelievably liberating qualities of abject poverty."

In New York's Bowery neighborhood, long a haunt of defectors, Jonas Prager told The New York Times he saw someone carrying this sign: **HELP SUPPORT RESEARCH ON THE IMPACT OF WINE ON THE HUMAN BODY**

— ARTHUR HIGBEE

Nicaragua Bars Catholic Radio From Broadcasting News

By Stephen Kinzer
New York Times Service

MANAGUA — The government has forbidden Nicaragua's newly reopened Roman Catholic radio station to broadcast news.

The station's first news program was to be broadcast at noon Monday, but employees said they were told late in the morning that any such transmission would be illegal.

The incident reflected the limits of recent steps toward expanded press freedom in Nicaragua. The country's Catholic hierarchy is associated with the anti-Sandinist opposition, and the station's director, the Reverend Bismarck Carballo, has had several clashes with the authorities.

Under terms of the new Central American peace accord, the government must guarantee "full freedom for television, radio and press" by Nov. 7. It would require other countries to stop aiding the rebels who are fighting to overthrow Sandinist rule.

Thus far, the government has taken two steps toward press freedom, permitting Radio Católica, the Catholic station, and the opposition newspaper, La Prensa, to reopen.

La Prensa, which had been closed for 15 months, resumed publication Oct. 1. Radio Católica reopened the next day.

"We were preparing the news show when an Interior Ministry official telephoned and told us that the show was not authorized," said an employee at the Catholic station. "They said we could not begin transmitting the show until we received permission."

A spokesman for the Interior Ministry had no comment.

The station once broadcast a regular news program, but the government ordered it to stop in 1982. From then until the station was closed four years later, it broadcast only veiled political commentary, often in a religious context.

Much of the station's programming is religious, but several news programs were planned.

The government has not acted on a series of petitions to allow other radio news programs to resume.

Nor has the opposition made any apparent progress in its effort to win a license to establish its own television station. A group of anti-Sandinist business leaders is seeking foreign aid to support such a station.

Last week, Oscar Arias Sánchez of Costa Rica, author of the new peace accord, said that the Sandinists would not be complying with the accord if they refused to allow a non-Sandinist television station.

The peace accord requires an end to the state of emergency by Nov. 7. Senior Sandinist leaders have said repeatedly they intend to comply with all their obligations under the accord.

Unfulfilled Promises Erode Confidence in Latin Democracies

By Bradley Graham
Washington Post Service

BUENOS AIRES — The euphoria with which South Americans welcomed democracy's sweeping return earlier this decade has given way across the continent to frustration and disappointment with the results so far.

While popular support for democratic rule remains strong, public unhappiness with the way the new democracies are being managed has grown and begun to worry many inside and outside government.

The disaffection has yet to erupt into sustained street protests or other violence. But evidence indicates a disenchantment with politics and a lingering fear of repression. Signs of discontent are clear in opinion surveys, national elections and conversations with workers, politicians, diplomats, journalists, academics and others throughout the region.

Hopes persist that the democratic era will yet prove a historical turning point in a region long afflicted by swings between dictatorship and democracy.

Yet the failure of the free systems to deliver the economic gains, social advances and structural changes expected of them has soured national moods from Ecuador to Argentina and eroded the standing of all elected governments on the continent.

"There was perhaps an excessively optimistic vision in the beginning about what democracy could do," said Marcelo Cavarozzi, an Argentine political scientist. "People are now discovering it cannot work miracles. Hopes have faded, the euphoria has disappeared."

In Argentina last month, voters registered their disillusion, handing President Raúl Alfonsín's centrist party a stunning defeat in gubernatorial and congressional elections, with the historically authoritarian Peronist party the winner.

In Brazil, President José Sarney, a hero last year for temporarily taming inflation, has become the target of mudslinging as his government muddles through political infighting and the economy slows.

Even the 38-year-old populist leader of Peru, Alan García Pérez, whose popularity rating hovered over 80 percent during his first 18 months in office, now is approved by only a third of the population, according to surveys.

Amid such gloominess, scattered voices in letters to editors and elsewhere have started calling for a return to military rule.

Democratic leaders have been moved to concede recovery promises to the armed forces. In Mr. Sarney's case it is due to a lack of civilian political support for his presidency. In Mr. García's case it is due to the spread of terrorist activity. And in Mr. Alfonsín's case it is due to uprisings by officers opposed to human rights trials.

Never confident of democracy's staying power, armed forces in the region still regard themselves as the ultimate saviors of their nations.

Latin American nation, is seeing its urban slums wracked by violence, its countryside unsettled by land conflicts and its health and education services decayed by neglect.

In Peru, an ominous Maoist insurgency has resisted all measures to contain it. In Bolivia, an astonishingly bold and painful effort to reorder the old tin-based economy still has far to go to lift the nation, which is the poorest in South America, out of its perpetual state of crisis.

Even established democracies are under strain. Colombia, home to drug barons, leftist guerrillas and rightist assassination squads, is convulsed by the highest incidence of peacetime violence in the hemisphere. Venezuela, its oil wealth diminished, is having to learn to live within tighter constraints.

Many had expected that the new responsiveness to popular will would bring swift cures to enduring ills. South American officials blame themselves for fostering higher expectations than were achievable.

"People wanted to believe in miracles, but we should have conveyed a stronger sense of the difficulties involved," said Carlos Niño, a senior aide to Mr. Alfonsín. "Many are now saying we should urge people to be more realistic and recognize that no government can do much better under the difficult circumstances."

Former Reagan Official Tells of Slurs

The Associated Press

WASHINGTON — President Ronald Reagan's first secretary of education, Terrell H. Bell, says in a new book that midlevel administration officials made racist jokes and other "scorplings" remarks during discussions on civil rights.

Mr. Bell said the slurs included references to the Reverend Martin Luther King Jr., as "Martin Lucifer Coon" and to Title IX, a federal law guaranteeing women equal educational opportunities, as "the lesbians' bill of rights."

A White House spokesman, Martin Fitzwater, asked Tuesday whether there had been racist remarks, said: "I certainly haven't heard of any, and I think that would be wrong and, frankly, I don't believe it."

Mr. Bell's book is entitled "The Thirteenth Man: A Reagan Cabinet Memoir."

In it, he says that he was confronted with "evidence of apparent bias among midlevel right-wing staffers at the White House and at OMB," the Office of Management and Budget. "I was shocked to hear their sick humor and racist clichés."

He did not identify those to whom he was referring.

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ARTS / LEISURE

Ovation for Short, Snug Ungaro

By Bernadine Morris
New York Times Service
PARIS — Emanuel Ungaro Tuesday became the first designer to receive a standing ovation during the week of spring and summer fashion openings.

which are minis with rippling over-skirts. It is an anomaly in a time when women are entering the professions and driving trucks that such fantasy clothes would have so much appeal.

PARIS FASHION

The surprise is that in this time of liberated women such old-fashioned seductive styling would exert such a pull.

Retailers, including Kal Ruttenstein of Bloomingdale's, said they expected to barrel the clothes out the carload as soon as they arrived in their stores.

The designer has been working along these lines for some time. But these are surely the smallest, most delicately draped styles he has ever presented.

Men's wear checks and plaids in black and white mingled with the finest floral prints in the long evening dresses look heavy. His customers need them for balls and embassy parties, Valentino said.

Short as it is, the Christian Dior collection misses. Despite shorts of strong color, it looks somber. Even the sun and flower motifs do not lift the mood.



Ungaro showed the shortest skirts in Paris.



Photographs by Joe Drury

Brilliant, Lyrical Duet for an Odd Couple

By Sheridan Morley
International Herald Tribune
LONDON — Tom Kempinski's "Separation," at the Hampstead, confirms that theater on its victorious path.

than mentally, but about to star in his play, and therefore on the telephone in search of advice. For most of the evening the two only converse by long-distance.

spiky, edgy, fragile actress give Michael Attenborough's fluent production two of the most brilliantly touching performances of the year.

The National Theatre's current passion for moving huge communitarian plays to the Cottesloe continues

THE LONDON STAGE

with "Entertaining Strangers," first performed by 200 amateurs in Dorchester two years ago. Now it is played by a cast of 30 professionals in a kind of walkabout arena setting through which members of the audience can wander, while ducking huge overhead platforms and clambering over actors in mid-scene.

David Edgar established with "Nicholas Nickleby" his mastery over huge and apparently impenetrable tracts of social history, and

here he deals with another great 19th-century saga. This one is concerned with the West Country struggles between conservative religion (as represented by Tim Figgott-Smith's obsessive parson) and free-thinking capitalism (as personified by Judi Dench playing a fiery female brewer).

Peter Hall's production has its epic moments, not least the arrival of the first train in the town and then the sudden shocked realization that cholera has come there too. But, stripped of its original location and moved from a Dorset community hall to a London theater, the script seems to hover between a pageant and a play.

There is a theory, largely sustained by the kind of people who set French examinations in schools, that Moliere's "Le Malade imaginaire" is a major classic in need of constant attention. In reality it has been for more than 300 years a

thoroughly shaky little one-joke play about a fanatical hypochondriac trying to marry off his daughter to a doctor. Nothing in Nancy Meckler's often inventive but oddly humorless production for the Lyric Hammersmith can patch over the cracks that Moliere himself used to fill in for the original staging with a lot of daft ballets.

In Alan Drury's translation as "The Hypochondriac," one already used by the National, Meckler updates the setting so we first encounter the bedridden Argan working out on a computer his current medical bills. After a somewhat shaky first-night start the production settled into a kind of manic, anachronistic farce held together where possible by Tom Courtenay's war, passy-faced patient forever at the mercy of his appalling wife, and the pirates and crooks whom Moliere reckoned adequate representation of the medical profession.

DOONESBURY



MRS. D. I KNOW YOU WERE A BIT RELUCTANT TO GO OUT WITH ME, BUT ONCE YOU GET TO KNOW ME, YOU'RE REALLY HIT OFF!

I MEAN, I KNOW THAT I MARCH TO A DIFFERENT KETTLE OF FISH...

AND IT'S TRUE I SOMETIMES DON'T HAVE BOTH SALES IN THE WATER, THAT I DON'T ALWAYS PLAY WITH A FULL HOUSE OF CARDS...

BUT AREN'T THOSE JUST TYPICAL CLICHES? VERY NEARLY, DEAR.

OTHER PANELS: A man and woman talking, a man looking thoughtful.

Advertisement for Guinness Stout featuring a bottle and the slogan 'Tough act to follow.'

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Subscription form for the International Herald Tribune with a table of rates for various countries.

WORLDWIDE ENTERTAINMENT

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Advertisement for protected off-shore investment, offering high tax-free returns on capital.

Advertisement for the Gould House Business Centre, offering office space and business services.

Advertisement for International Business Opportunities, appearing every Wednesday.

INTERNATIONAL Herald Tribune

Published With The New York Times and The Washington Post

After Black Monday

Testing the Fire Walls

Now the world will learn about the fire walls between the stock market and the real economy of jobs, incomes and production — and whether they work. Those fire walls have been built with great care in the 58 years since 1929 to prevent a financial panic from spilling over into the kind of general collapse that became the Depression.

Diré though it has been, the stock market crash of the past week is still limited to stocks. Long-term interest rates are up a little and the dollar is down, but so far the damage is confined. The crucial question is whether it can be kept confined.

In Monday's drop alone, some three-quarters of a trillion dollars in assets evaporated. Unavoidably, that is going to have a severe impact on the rest of the economy. It translates immediately into houses that will not be built and cars that will not be bought. Some kinds of companies are going to be squeezed hard for cash. Will they go under? The possibility of a recession next year is now much higher than it seemed a week ago. But recessions are controllable.

The market's fall is irrational, overboiling even the most pessimistic assessment of the economy's future. The Dow Jones industrial average has dropped by one-third since the peak last August, but the companies it represents have not lost a third of their value. The crash has been feeding on itself as each hour's losses forced people to keep selling regardless of value.

The 1929 crash came at a point when the American economy was already sinking steeply into a recession. The present one comes amid steady expansion. That is a crucial difference. But there are other differences that are less favorable. The United States is now an international debtor, as it was not 58 years ago, and that makes it vulnerable to the flows of foreign investors' money. Worse, it has backed itself into a position in which its government has very little latitude to shift policy.

The budget is locked in a corrosive quarrel that President Reagan seems unwilling to resolve. Interest rates are usually a government's readiest instrument for adjusting the economy to unexpected blows, but not this year in the United States. If the Federal Reserve Board tries to lower interest rates, the exchange rate of the dollar will fall and inflation will rise. If it tries to raise rates, it will make a recession more likely. If foreigners join the panic and try to pull their money out of America, rates will rise regardless of the Federal Reserve's intentions. All those years of huge deficits have left the U.S. government immobilized and incapable of acting independently.

That is unfortunate, but maybe not fatal. Historians draw three great lessons from 1929-33. First, don't engage in perverse policy that makes things worse, like tightening monetary policy in a deepening recession or passing a flagrantly protectionist Smoot-Hawley tariff. Second, remember that the international linkages are much more important than politicians thought in 1929, and that those politicians greatly aggravated their countries' misery by trying to go it alone. Third, recognize that leadership is essential and that it has to come from America.

You have heard an intolerable amount of both in the past seven years about the deep and inflexible wisdom of markets. In fact, markets are perfectly capable of nervous breakdowns. You have just witnessed a historic example of it. They need regulation and, in times of trouble, strong guidance. There was very little of that in the months and years after 1929. How about 1987?

The past week's crash is, among other things, an intelligence test. It will show whether the United States, Japan and Western Europe are capable of understanding what has happened and of working together to deal with the consequences. There is nothing inevitable or foreordained about the movement of the economy in the coming months. It will measure the quality of the people who hold power in the world and, above all, in the United States.

— THE WASHINGTON POST.

Alarms Are Wailing

With stock prices down 22 percent in a day and foreign investors racing for the exit, Oct. 19, 1987, ranked by most measures as the worst day in Wall Street's history. But, frightening as it is, the market collapse is the alarm, not the fire. It need not lead to depression or even a major setback in employment and income. But the big economic powers finally have to fight the fire. They must, finally, coordinate a policy for stable growth.

Many investors were bloodied. Speculators who had borrowed heavily to bet on the rising market and were forced to liquidate to meet collateral requirements were hurt most. Millions of others — everyone from retirees with a few hundred shares of GM to conservative investors with a few thousand in mutual funds — suffered from the \$503 billion loss in the value of listed stocks.

Even these stunning losses, though, should have little direct effect on the day-to-day economy. Kansas farmers will be able to grow as much wheat and Ford will be able to make as many station wagons. Consumers may feel a little poorer, and thus less willing to part with their cash, but economists believe that this "wealth effect" is a relatively minor factor in a \$3 trillion economy.

So where's the fire? Gigantic budget deficits in the Reagan years have soaked up domestic savings, leaving America dependent on Japan and Europe for the capital to keep the economy moving. Foreigners have been happy to supply U.S. needs, trading stocks and bonds and real estate in return for cash. But nothing guarantees the continuing flow of foreign cash. Indeed, as Monday demonstrates, nothing prevents a sudden reversal, with foreigners scrambling to exchange dollars for yen or marks.

If foreign investors remain wary of U.S. securities because they fear a fall in markets or the dollar, the Federal Reserve will face a no-win choice. The Fed could make dollar investments more attractive by raising interest rates. Or it could allow the dollar to fall and expand the domestic money supply to replace the foreign capital. The first course would almost certainly cause recession; the second is a sure recipe for inflation.

The only real hope for maintaining both price stability and prosperity is to strike a deal with Tokyo and Bonn. They must reduce domestic interest rates, making dollar investments more attractive and increasing the demand for imports without squeezing U.S. credit. In return, the United States must sharply cut the budget deficit, reducing future dependence on foreign capital and increasing confidence in America's currency.

And the economic powers need to pledge openly to intervene in foreign exchange markets to prevent a further slide in the dollar.

The White House asserted Monday that the "underlying economy remains sound." With the fire alarm wailing on Wall Street and the country anxious for leadership, it gets an astonishing return of Herbert Hoover. When will Mr. Reagan start fighting the fire?

— THE NEW YORK TIMES.



This cartoon appeared in The New York Herald in Paris on Nov. 12, 1929, two weeks after the Wall Street crash of Oct. 29.

A Lot of Valuable Stock Is Suddenly Less Expensive

By George F. Will

WASHINGTON — It is said that public officials seeking advice are usually just seeking accomplices. However, in times of turmoil they actually want advice. There is a need for the likes of Herbert Stein, who has been an observer of and participant in the formation of economic policy for nearly 50 years.

Mr. Stein was chairman of the Council of Economic Advisers under Presidents Richard Nixon and Gerald Ford. He has two favorite propositions that are particularly germane today. The first is that economists do not know much. The second is that they know much more than the politicians and others who set economic policy.

These propositions are today grounds for a policy of "Don't just do something, stand there," meaning, let the markets work. Mr. Stein urges a modified form of that policy, allowing the dollar to fall but doing something by undoing some things.

The U.S. government said it will resist the decline of the dollar, and was not believed. It promised international coordination of policies, and was not believed. There is a new chairman of the Federal Reserve Board whose inclinations are not known. We have, Mr. Stein says, an "artificially uncertain situation." Uncertainty breeds anxiety, and hence volatility.

Mr. Stein recommends altering expectations by informing the world that the dollar will be allowed to fall as far as market forces drive it. Such a decisive movement would eliminate the destabilizing expectation that the dollar is going to fall further, which is the flight from U.S. assets.

The only direct way to resist downward pressure on the dollar indefinitely is by raising interest rates. But that would fuel inflation and risk stagnation. True, a declining dollar would generate inflationary pressure (by making imports more expensive), but that should be treated as an exogenous event, something not to be responded to with the anti-inflation medicine of higher interest rates.

We are, Mr. Stein says, in danger of getting into "a kind of Keynesian trap." John Maynard Keynes said that expanding the money supply could not propel the economy out of the Depression because the enlarged supply of dollars would only be held rather than used to buy stocks and bonds, because yields of those instruments were too low. The parallel with

today's situation is this: Increasing the supply of dollars might not drive down interest rates. Rather than remaining in the United States, investors in stocks and bonds, new dollars might flow abroad because of a (for the moment) unlimited demand for non-dollar-denominated assets, such as Deutsche marks or Japanese yen.

But no demand for anything is unlimited, absent irrationality. Today's need is for a restoration of reason, beginning with recognition of this: The dramatic change in the stock market is not a reflection of any change in the producing economy. In the economy there is steady noninflationary growth employing more people than ever before.

It sometimes seems that all economic news is bad (or can be so construed) and all news is economic news (in that it has economic consequences). But actually, no news is economic news because all significant economic

events are, at bottom, political, as the stock market plunge shows.

It dramatizes the huge psychological component of all social arrangements. Everything, from the value of economic instruments (currency, stocks, bonds) to the authority of government rests on a willingness of the public to believe. The world runs on political as well as economic credit, a word with a Latin root: "to believe."

When the dust and the Dow Jones settle there will be time to ask: To what extent has government addition to borrowing foreign capital and a large portion of domestic savings contributed to a general disbelief in the soundness of current arrangements? That is, to what extent has the indisposition of government as a budget maker, which reflects the unrestrained appetite of government's sovereign, the electorate, subverted belief in the economic instruments by which we store the values we earn. A

collapse of that belief can cause our lives' works to evaporate.

Although awfully costly, it is probably profoundly good for the nation to be forced to face the fact that the foundations of its arrangements are matters of (quite literally) faith. Faith must be earned, every day, by good habits. Congress, which has been unable to pass appropriation bills and can be manipulated by interest groups, should consider its daily contribution to the loss of confidence.

Out beyond Wall Street there is a country on which Wall Street depends, absolutely. Out there men and women are making things. And out in the larger world there is an enormous pool of money seeking profitable investments. Investors at home and abroad soon will see that in America, in what is still the world's strongest economy and safest haven for money, a lot of stocks are suddenly a lot less expensive than they were a little while ago. Then a bounce back will begin.

Washington Post Writers Group.

More than ever, the global economy needs the restorative force of growth.

fighting must be abandoned to assure the defeat of protectionist legislation.

More than ever, the global economy needs the restorative force of growth — which would be stultified by the trade barriers that some members of the U.S. Congress are trying to erect.

But individuals and businesses in the private sector cannot look to government alone to pull them out of the present mess. For example, consumers in America must exert some self-discipline. What Americans can learn most usefully from Japan and other Asian countries is that working harder and saving more will pay off in the end.

In the next few critical days, investors in the United States, Europe and Japan will be looking for evidence that the recent weakening of the international resolve to cooperate on economic policy can be reversed.

Treasury Secretary Baker deserves great credit for having forged a network among finance ministers and central bankers who can work together. That is crucial in an age when global communication is instantaneous and markets are irrevocably intertwined. However, frustrated last week by West Germany's manic fear of inflation (at a time of zero rise in prices), Mr. Baker went public with a threat that America would go its own way in making policy. "He blew it," said an influential Wall Streeteer. "In the midst of market uncertainty, a secretary of the Treasury should avoid anything that could hurt stability."

Mr. Baker, with the help of the West Germans (who have their own complaints about American foot-dragging on the budget deficit issue), is trying to repair the damage. "Can they get the genie back in the bottle?" asks economist Stephen Marris, who has been predicting some of the sorry events we have been experiencing. You should be able to get the answer to that question on Page 1 quite soon.

The Washington Post.

A Summit Puzzle Embarrasses ASEAN

By Michael Leiter

LONDON — As December draws near, the six governments in the Association of Southeast Asian Nations face a difficult decision about whether to go ahead with plans for a summit meeting in Manila.

For ASEAN's leaders to meet in a country recently destabilized by a military coup attempt and an upsurge in communist guerrilla activity could not only lead to a political embarrassment but could also threaten their safety. The alternative, however, is to show a lack of confidence in the administration of President Corason Aquino and collectively lose face by shifting the meeting to another ASEAN country.

Since ASEAN's founding in 1967, it has held only two meetings of heads of government: in Bali, Indonesia, in February 1976, and in Kuala Lumpur, Malaysia, in August 1977. It has long been agreed that the third meeting would take place in Manila.

Political conditions in the Philippines in the last years of the Ferdinand Marcos regime led to the postponement of a meeting. His fall from power in February 1986 and the accession of Mrs. Aquino gave ASEAN leaders an opportunity to make a show of faith in the association as it enters its third decade. The summit is scheduled for Dec. 14 to 16.

But the political consensus that brought Mrs. Aquino to power clearly has broken down. Her administration seems increasingly trapped between competing forces of left and right. In such circumstances, an

ASEAN meeting could be used as a tool by those who are seeking to remove Mrs. Aquino from office.

Disorder could be orchestrated by the right to discredit the president during the meeting; or the more aggressive forces of the left might see an advantage in a spectacular strike, such as an attempt to kill an ASEAN head of government. A meeting held in a state of siege would not enhance the association's standing.

The current decision does not only involve waiting to see whether Mrs. Aquino can reassert her authority. The other ASEAN members — Brunei, Indonesia, Malaysia, Singapore and Thailand — are reluctant to push for a decision because they fear that such pressure would be interpreted as a vote of no confidence, further undermining Mrs. Aquino's position. She herself may be reluctant to take any initiative. Should she push for a change in venue, it might be seen as an admission that she could not guarantee the security of fellow leaders.

Nonetheless, it probably would be better for ASEAN to cut its losses at this stage rather than to give the impression of being forced into a hasty decision at the last minute. The meeting is intended to inaugurate a third decade of constructive regional cooperation. Circumstances may have reduced the occasion to an exercise in limiting political damage.

The writer, back from an extended stay in Southeast Asia, is a lecturer in international relations at the London School of Economics and Political Science. He contributed this column to the International Herald Tribune.

Don't Back Away Now

Even an armada of American and allied ships in the Gulf has not deterred Iranian attacks, as the Reagan administration hoped. It would be unwise to assume that Monday's U.S. raid on Iranian oil platforms will end the matter. On the contrary, this well-calibrated response to Iran's missile attack on two tankers in Kuwaiti waters prompts essential questions: What risks is the United States prepared to face in the Gulf, and is it prepared to take leadership?

Iran's strategy is to divide its opponents through fear. A united front led by the United States, and centered on the commitment of Iran is the proper response.

If, instead, America backs away, there is no telling the consequences. Iran might vanquish Iraq. Chances are that an ascendant Iran would pose even greater challenges to America's considerable interests in the region. Better to run the additional risks now, on two conditions: full support from Gulf and allied states, and a sharing of responsibility between the president and Congress.

Iran has raised the stakes, having threatened and even attacked U.S.-flagged ships and warships. It also forces allies and Arabs to glimpse the consequences of a possible Iraqi defeat. A triumph for Iran might try to dominate the Gulf states and Saudi Arabia, act on its war cry of liberating Jerusalem and destabilize moderate Arab governments.

Hence the United States has recently been receiving considerably greater cooperation from European navies and the states in the region. The choice now is whether to lead this alliance in containing Iran and preventing Iraq's collapse, or to decide that the risks are too high and withdraw.

Even with allied support, the risks are great. Tehran still pursues Ayatollah Khomeini's goal of overthrowing Saddam Hussein of Iraq. Iran has now renewed its pressure on Kuwait, an Iraqi ally, with missiles fired from the Fa'o peninsula. Unless suddenly deterred by the U.S. attack, the Iranians may fire more missiles at Kuwait. Destroying the missile sites, said to be heavily defended, may be no easy task. If the Iraqi air force cannot do the job, American planes and ships may need to be risked. That may be Iran's purpose. In the hope that Congress will demand a withdrawal from the Gulf.

Why should America get embroiled in this savage war? Because containing Iran is in the interest of the United States, the Gulf states, Europe and Japan. All look to America for leadership. If Iraq suddenly crumples, as is possible, it will be even harder to defend the oil-rich region against a victorious Iran.

The strains on Tehran's war policy could be heavier than may appear. The United States holds the ultimate power of closing the Gulf to Iranian exports. Such action would of course be unthinkable unless requested by the Arab states of the region.

Slowly, with confusion, the administration has been developing a coherent policy to contain Iran. It has thereby earned the right to take risks in the Gulf. But the multilateralism in Tehran will test and provoke as long as they doubt their adversaries' resolve. One way to show it is for the allies and Gulf states to stand solidly together. Just as important, the White House needs to enlist congressional and public support by being persuasive about its policy and honest about the risks.

— THE NEW YORK TIMES.

Missiles at Sea: It Started With a Green Flash Over Port Said

By Abraham Rabinovich

JERUSALEM — A green pulse of light in a Mediterranean sunset 20 years ago today signaled a new naval era, one whose ramifications have been painfully felt by U.S. warships in the current crisis in the Gulf.

The light was seen first by the starboard lookout on the Israeli destroyer Eilat as the light rose from the direction of Port Said, 13 miles (20 kilometers) to the southwest. The destroyer was nearing the end of a routine patrol, four months after the Six Day War. "Green rocket to starboard," shouted the lookout.

On the bridge, Captain Yitzhak Shoshan saw a bright ball of light. As he watched it through his binoculars, it changed course perceptibly and headed toward his ship. Though a cease-fire had been negotiated after the war, Captain Shoshan knew that this was no signal flare. The missile age at sea was beginning and he had less than a minute to try to save his ship and its 200 men.

As the ship's klaxon sounded a raucous alert, Captain Shoshan tried to turn the Eilat so that it presented its narrowest profile to the missile's radar. A machine gun opened up at the object hurtling down upon them. But an instant later the missile, a Soviet-made Styx, exploded in the boiler room at the heart of the ship, just above the water line. The adjacent engine room was destroyed and the ship was left powerless.

As the ship began to list, a lookout sang out again. "Missile to port." The Eilat had swung around to present its other side to the Egyptian boat firing from Port Said. Captain Shoshan watched the missile pass within 60 feet (20 meters) of him as it dove toward the ship's waterline. Twenty feet long and fitted with stubby delta wings, it looked like a small plane. Inside it carried more than 1,000 pounds (450 kilograms) of explosives. The explosion peeled back the deck amidships like a sardine can, leaving the ship's funnel lying across it.

In the darkness that had now

closed in, Captain Shoshan ordered rafts readied for the wounded in case the vessel had to be abandoned. The radios had been knocked out before naval headquarters could be informed of the Eilat's plight.

After two hours, the communications officer managed to piece together an Israeli army unit in Sinai. "We are in Port Said. We have dead and wounded and are listing badly. We have been hit by missiles." Captain Shoshan assembled his crew and, using a bullhorn, outlined the likely timetable for a rescue operation. He ordered the wounded lowered onto rafts and told his men to stay together in the water. For orientation, they would swim toward the moon. Glancing at the tilting machine, he gave the order: "Abandon ship."

The captain glanced around the deck to ensure that no one was left when the now familiar shout came. "Missile."

High to the west, the bright eye was again seeking them out. The Styx exploded on the Eilat's stern, knocking the captain backward against the starboard rail. He could feel himself being lifted over the rail as the ship tilted. Sliding down its side, his feet hit the stabilizer fin so hard that he broke vertebrae and could not use his legs. He pulled himself away from the sinking ship so as not to be sucked down. Looking back, he saw the bow pointing skyward. And then: "Missile."

With not little of the boat left to home on, the fourth missile exploded in the water. Captain Shoshan was hit by a powerful underwater shock that caused him to cry out. The blast proved fatal to many in the water.

The rescue went almost exactly as the captain had outlined it to his men — first came planes, dropping flares and rubber boats, then the dark

shapes of torpedo boats picking their way carefully toward the survivors, and finally helicopters to hoist men up with their winches.

Of the 200 men aboard the Eilat, 47 had been killed and more than 100 wounded. (Three days later, on Oct. 24, heavy Israeli shelling devastated major Egyptian oil installations.) But the event was not just a tragedy for those involved. It changed the nature of naval warfare as dramatically as the introduction of naval guns or the appearance of the first ironclads. A small boat, firing from beyond the horizon, had destroyed a ship 10 times its size. It had demonstrated that vessels the size of patrol boats could unleash the punch of a cruiser while staying safely beyond range of their targets' guns.

The sinking of the Eilat caused a major upheaval in naval headquarters around the world, not least in the United States. No navy in the West had operational sea-to-sea missiles nor adequate defenses against the Soviet missiles, the effectiveness of which had been largely discounted.

Four years later, the Indian navy would sink several Pakistani vessels using Styx missiles. In the Falklands campaign, the British fleet lost two ships to Exocet missiles fired by the Argentines, even though it had sophisticated electronic equipment designed to stave off such attacks. And now the Gulf has become a shooting gallery for anti-ship missiles, which on May 17 caught the U.S. frigate Stark with its electronic defenses down.

In the 20 years since the Eilat sinking, only one navy has proved able to defend itself against missiles — as it happens, the Israeli navy. Even before the sinking, the Israelis were designing their own missile, missile-boat and anti-missile defenses. When the Yom Kippur war broke out in 1973, those elements were in place.

On the first night of the war, an Israeli task force — the first operational missile boats in the West —

met a Syrian force off the Syrian port of Latakia. After sinking a torpedo boat and minesweeper, the Israelis turned toward three Syrian missile boats whose Styxes had two in the range of the Israeli Gabriel missiles.

The Israelis raised their electronic umbrellas and charged. The Syrian missiles were deflected and all three Syrian boats were destroyed. Two nights later, three Egyptian missile boats were sunk off the Nile Delta as the scenario repeated itself — the Egyptians getting in the first spots but the missiles being diverted. In all, 54 Styxes were fired at Israeli missile boats during the war, and not one scored a hit. Gabriels sank at least half a dozen enemy warships in what remain the only missile-to-missile sea battles.

Far more attention has been paid to the Eilat sinking than to the naval battles of the Yom Kippur war, which at first were shrouded in Israeli secrecy and later went unnoticed even in the naval journals.

But the Eilat's demise heralded a ferocious new weapon at sea, the battle of Latakia showed again that a formidable offensive threat will evoke a formidable defensive response. The Falklands and the Gulf have demonstrated that both the threat and the remedy must be taken more seriously. In the age of the missile, gunboat thinking will no longer do.

Mr. Rabinovich, a feature writer for the Jerusalem Post, is author of "The Boats of Cherbourg: an account of Israel's missile boats to be published next spring. He contributed this column to the International Herald Tribune.

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100, 75 AND 50 YEARS AGO

1887: Russia Fortifies
 PARIS — Russian engineering officers are rapidly completing the system of defensive fortifications of the western frontier planned some years ago. At Warsaw, the eighth of the forts forming the *ceinture* of the defenses of that strategic point has just been finished. Five more forts are still to be constructed within the *region* of Warsaw. A very great number of other fortifications calculated to make the Polish frontier of Russia almost impregnable against any advance of Germany or Austria, or even of the two combined, are being pushed forward with the greatest energy.

1912: Wilson Leads Poll
 NEW YORK — The fourth installment of the Herald's nation-wide canvass of the political situation indicates that Governor Woodrow Wilson is well in the lead for the Presidency, with Theodore Roosevelt second and President W.H. Taft

1937: A Buying Spree
 NEW YORK — Following up yesterday's late rally, the stock market hounded upward today [Oct. 20] in a scramble of buying which kept up at breathless pace. The Dow Jones average for industrials rose steadily nearly eight points.

PARIS — Financial pundits still unable to account for what has been happening in Wall Street in the last few days. Perhaps the sun spot activity, which Professor Harlan Stearns, of the Massachusetts Institute of Technology, is right in holding that sun spot changes are related almost immediately by the

MARKETS IN TURMOIL: Record falls on Asian and European exchanges

Plunge Continues in Europe But Rally Cuts Some Losses

Compiled by Our Staff From Dispatches PARIS — Strong selling continued to buffet European stock markets on Tuesday. Losses were cut after New York stocks began to rally, but the plunge continued later on most markets.

London

Shares finished drastically lower, setting several new records in the most volatile and active trading day in the history of the exchange. The Financial Times 100-share index, which was headed toward a drop of 300 points at one stage, lost 250.70 points for the day, closing at 1,801.60.

Tuesday's performance was even worse than Monday's, when the index slid 249.50 points, or 10.84 percent of its value.

Shares plunged a record amount in the morning, then staged an unprecedented same-day rally in the afternoon, only to plummet again later in the day.

Morning trading was made more convulsive by news that British bank lending in September rose by \$4.4 billion (\$6.06 billion), exceeding market expectations.

Volume was 1.17 billion shares, compared with 1.17 billion shares Monday, and exceeding the previous record of 1.15 billion set June 12.

The midday rally followed a statement by the chairman of the U.S. Federal Reserve, Alan Greenspan, that the Fed is ready to provide liquidity to support the economy and the financial system.

News that two major U.S. banks had cut their prime lending rates also boosted stock prices, many dealers said, and the recovery accelerated when Wall Street soared at its opening.

But many investors saw the rebound as an excuse to take profits, brokers said, and selling continued. Their Wall Street turned around as well and London shares slumped.

Analysts said comments by Sir Nicholas Goodison, chairman of the London Stock Exchange, that there was "no rational reason" for the recent heavy market fall helped to stem the selling wave. Remarks from West Germany's

finance minister, Gerhard Stoltenberg, that he could not rule out central bank action to support currencies also encouraged investors, dealers said.

Paris

French share prices recovered on news of a firmer start to Wall Street trading and a cut in U.S. prime rates.

The CAC index, the main indicator of performance on the Paris Bourse, rose 0.79 percent on Tuesday after plunging 9.7 percent on Monday.

Prime Minister Jacques Chirac appealed to French investors Tuesday not to panic after share prices fell in the morning.

Concerted buying by French state-owned financial institutions helped prop up prices and stem a selling wave by small investors at the bourse opening, banking sources said.

On the fledgling financial futures market, known as MATIF, trading was suspended twice because the recovery in prices was so strong that it breached the limit set for an individual session, even though the limit had been doubled for the day.

Frankfurt

Shares on the Frankfurt exchange closed mostly lower, but there was no clear trend among leading stocks, many analysts said.

Some of the most heavily traded shares continued to suffer from Monday's rout, falling 10 percent or more, dealers said.

The Commerzbank index slid 74.70 points, or 4.28 percent, to close at 1,669.40.

On Monday, the index plummeted a record 132.5 points, or 7 percent, to 1,744.10. The previous largest drop was a 98.5-point decline on Jan. 28, 1987.

Daimler-Benz, the car maker, plunged 47 Deutsche marks, to 593 DM, while Deutsche Bank dropped 37 DM to finish at 528 DM.

Elsewhere

In Zurich, where prices fell by more than 11 percent on Monday, the stock exchange postponed its opening for half an hour and suspended temporarily the rule that halts trading in a share if it drops more than 10 percent, an exchange spokesman said.

In Italy, the stock market regulatory body Consob delayed by one hour the opening of the Milan

bourse and nine other stock exchanges after Monday's record falls.

The Milan MIB index finished 38 points lower, or 4.45 percent, at 815, compared with 853 on Monday.

Margin trading on the Madrid bourse was suspended.

The Madrid general index fell 16.35 points, or 5.4 percent, to close at 286.16, against 302.51 on Monday.

Dutch share prices continued Monday's slide as mainly private investors dumped stock, while institutional players snapped up some bargains, dealers said.

The Amsterdam ANP-CBS general fell 22.50 points, or 8.4 percent, to close at 245.50, against 268.00 on Monday's close.

In Stockholm, dealers said the bourse suffered its worst day. "We thought we had been spared the panic which hit Wall Street, Tokyo and London in the past few days," one dealer said, "but it's a free-fall here now."

The Stockholm Affarsvaerden index fell 63.40 points, or 7.01 percent, to finish at 840.90. On Monday, the index fell 61.80 points, to 904.30.

(AP, Reuters, UPI)



DEPRESSED — An exhausted Toronto trader sits slumped in his chair. Panic selling there caused the main TSE 300 Index to plunge 400 points, or about 11 percent, on Monday, and 646 points, or 17.97 percent, on Tuesday, to a close of 2,952.

Shares Plummet In Asia After Drop In Dow on Monday

By Michael Richardson International Herald Tribune SINGAPORE — Asian stock markets plunged by record amounts in frantic trading Tuesday as investors scrambled to bail out after Wall Street's unprecedented collapse.

Analysts said a combination of fear and forced sales after the Wall Street slide caused share indexes in Japan, Australia, New Zealand, Singapore and Malaysia to post their largest single-day point falls.

In Hong Kong, stock market authorities suspended trading for the week, citing the need to protect investors and allow brokers to sort out earlier trades.

The analysts predicted that unless markets in the United States and Europe steadied soon, the stock market rout in the Asia-Pacific area was likely to continue, clouding otherwise bright prospects for economic growth in many countries.

"We are very much in the hands of New York," said Hugh Peyman, head of South East Asian research for Merrill Lynch Pierce Fenner & Smith in Singapore.

Takahashi Johsen, research director at Mitsubishi Research Institute in Tokyo, said the plunge in the Japanese stock market, the world's largest, had "gone beyond its economic fundamentals."

Tokyo

On the Tokyo Stock Exchange, the widely watched Nikkei stock average nosedived a record 3,336.48 points, or 14.9 percent, to close at 21,910.08. Volume was lower than normal. The drop far outstripped the previous record one-day point fall of 831.32 on April 27.

After the market closed, the Tokyo Stock Exchange relaxed restrictions on margin trading in a move calculated to bring back buyers. The change will raise to 50 percent from 30 percent the share of a stock that can be purchased with a loan.

The previous record one-day percentage fall was on March 5, 1953, when the imminent death of the Soviet premier, Josef Stalin, sent prices tumbling 10 percent. The Nikkei average lost 620.18 points on Monday. Since hitting a

high of 26,646.43 one week ago, the index has lost nearly 18 percent of its value, which is estimated at more than \$2.5 trillion.

However, Tokyo bond prices surged as investors concluded that the stock market's collapse precluded the central bank from carrying out a widely rumored increase in its discount rate, now at 2.25 percent.

Bond prices also benefited from a flow of funds out of stocks, and the 10-year benchmark issue jumped about 1.20 points to 96.46 from Monday's finish. The yield dropped about one-fifth of a percentage point to 5.71 percent.

Japan's Finance Ministry asked the four major securities houses in Tokyo to help calm the market, but brokers said the companies made big losses as they bought shares that continued to fall.

By the close of the day's trading, only 753 issues were quoted, 14 percent of the total market. Only seven issues were higher, and 597 registered maximum single-day losses allowed by the market.

Volume was estimated at just 500 million shares, about half the usual level for morning trading alone.

Sydney

The Australian share market, as measured by its major stock index, closed a mammoth 24.9 percent lower Tuesday after a day of unprecedented selling.

The All Ordinaries Index fell a record 515.6 points to close at 1,549.8.

Hong Kong

The closing of the Hong Kong Stock Exchange on Tuesday came a day after frenzied selling led to its largest one-day decline.

The Hang Seng Index lost 11 percent of its value on Monday, falling 430.81 points to 3,362.39.

Singapore

Frantic selling on the Singapore Stock Exchange on Tuesday sent the Straits Times Industrial Index plunging a record 226 points to 996.82, brokers said.

The index had already registered a record single-day drop on Monday of 169.14 points, to 1,223.28.

U.S. Economic Policy Adrift, Many in Europe Say

The Associated Press

LUXEMBOURG — The sell-off on world stock markets has hardened the view in Western Europe that U.S. economic policy is adrift and has become the root cause of global economic instability, many analysts said Tuesday.

They said it was widely believed in Europe that Monday's stock market slide was triggered in large part by a collapse of confidence by investors that the Reagan administration is capable of correcting the huge U.S. budget and trade deficits.

"The feeling is that there is a real power vacuum in the United States," said Bill Bracey, an economist at Savory Millin Ltd., the London brokerage firm, "that no fundamental corrective action will be taken this side of the next election."

Mr. Bracey and other analysts and officials said that European governments are frustrated by their inability to insulate their economies from the effects of U.S. policy.

They said they are worried that a continued slump in the U.S. stock market could trigger a recession that would spread to Western Europe and the rest of the world.

"There is a certain amount of resentment at this here," Mr. Bracey said. Jacques Poos, Luxembourg's treasury minister, said he believed the major industrial powers should convene an emergency meeting to clarify the U.S. role in efforts to correct global imbalances.

"The origin of this crisis is the situation inside the United States," he said. "These huge imbalances are in a country that has the leading currency in the world."

This view was echoed by other officials, including Sir Nicholas Goodison, chairman of the London Stock Exchange.

In a radio interview, Sir Nicholas said he believed world stock prices would stabilize once investors "realize that the problems of the world mainly center on countries other than the United Kingdom, particularly the U.S.A., which, he said, must get its deficits under control."

Mr. Poos said that the Reagan administration must push harder for cuts in government spending, to help reduce the budget deficit. It also should curb imports and ease the trade deficit, he said.

He said Europeans were becoming increasingly disillusioned at the failure of the Reagan administration to fulfill its promise to cut the budget deficit.

This promise was at the center of an agreement in February among the six major industrial nations to try to stabilize the dollar. Monday's record fall on the New York Stock Exchange, which quickly spread to other major financial centers, showed that Europe cannot escape the effects of economic volatility in the United States, analysts said.

Francis Uytendaele, an economist at the Brussels office of Chase Econometrics, the consulting firm, said he feared that a sustained slump in U.S. stocks could lead to a further rise in interest rates.

That, he said, could lead to a recession that would spread to Western Europe.

In a front-page editorial Tuesday on the stock market crash, the conservative French daily Le Figaro said it was "high time" that the world's major industrial nations "decide once and for all to put order in the international monetary system."

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French Privatization Strategy Is Jeopardized . . .

By Joseph Fitcher International Herald Tribune

PARIS — The stock market crisis in France has jeopardized the conservative government's strategy for industrial modernization, but the decisive political impact depends on whether collapsing French share-prices trigger a recession, politicians and analysts said Tuesday.

"We can weather it," said Jacques Toubon, secretary-general of the neo-Gaullist party led by Prime Minister Jacques Chirac. He added: "What worries me is less the stock market and more the monetary repercussions of the crisis, particularly interest rates."

Asking how much French voters will blame the share-price crisis on Mr. Chirac's policies, sources contended that the government could blunt criticism by stressing that all industrial nations had been ensnared by the crisis, not just France.

Blame for triggering it is being deflected to other nations, mainly the United States and West Germany, where the central bank has resisted pressure to lower interest rates and reinforce economic confidence.

A former French minister of finance, Jacques Delors, head of the Commission of the European Community in Brussels, said on French radio that James A. Baker 3d, the U.S. secretary of the Treasury, "was a fireman who is having the effect of an arsonist."

He was alluding to comments by Mr. Baker over the weekend that upset the markets. The markets interpreted his remarks as talking

down the dollar and publicizing friction between the United States and West Germany.

"It's clearly not the fault of French policy; it comes from deficits in the United States," said Jean Francois-Poncet, a conservative senator and former foreign minister.

But Mr. Chirac's prospects in presidential elections next spring seem likely to lose ground to rivals such as President Francois Mitterrand, who is a likely Socialist candidate for re-election, and Raymond Barre, who succeeded Mr. Chirac as prime minister in 1976 and acquired a reputation for economic sagacity.

Conservatives, including Mr. Chirac, and Socialist leaders have pursued policies in recent years of encouraging the development of a stock market fully integrated into the world financial system.

But the stock market panic has hit France at a sensitive juncture of economic modernization. A main spring of the Chirac government's ideology is "privatization," the process of putting state-owned industries, banks, media and insurance companies into private ownership via the stock market.

Now the scope and pace of the government plans seems bound to suffer. Most of France's 10 privatized companies were still trading above their original cost to the public, but large paper profits had been wiped out.

"Financially and psychologically, this is bound to dampen demand for new issues," according to Paul Horne, a Paris-based interna-



Jacques Chirac

tional economist for Smith Barney, the brokers.

The capacity of French and foreign investors to buy large companies has been the subject of a technical debate among politicians and economists in France, and Socialist members of parliament are expected to accuse the government of moving too fast with privatization.

The crash has hurt the government's credibility with special force because French people are traditionally uneasy about channeling their savings into the stock market. Leftist politicians are finding

fault with the government on technical and moral grounds. They are accusing the government of overestimating the market's ability to digest rapid, ambitious privatization and of lulling voters with promises of prosperity by speculation.

But the major French opposition groups appear badly placed to make direct political capital out of the woes of the Paris Bourse.

The bull market, which rose fivefold between 1982 and last summer, took off under the Socialists, in power in France from 1981 until they lost their parliamentary majority last year.

The Socialists started the campaign to liberalize the securities industry in France, and they frequently cited the stock market's performance as evidence of their successful management and proof of their conversion to free-market principles.

In France, prominent politicians have called for immediate international crisis consultations, a polite formula for obtaining help from the United States, West Germany and Japan to offset the effects of the crash.

French economic activity could be stimulated by a cut in interest rates, currently Europe's highest at 12 percent. But the French government cannot risk making credit cheaper unless interest rates come down first in West Germany.

"The key is in Bonn and Frankfurt," said Mr. Horne of Smith Barney. "If France grinds to an economic slowdown, the political fallout for the government will be severe."

And Britons See Ebbing of 'Popular Capitalism'

By Reginald Dale International Herald Tribune

LONDON — Many economic analysts said Tuesday they believed that the government's policy of "popular capitalism" through wider share ownership had suffered a serious setback in the wake of record stock declines in London.

More widely, they fear that the international consequences of the crisis could pose problems for the rapidly expanding British economy.

Immediate attention focused on the government's £7.2-billion (\$12-billion) offer of shares in British Petroleum Co., with an Oct. 28 closing date, regarded as the linchpin of the privatization policy.

Nigel Lawson, the chancellor of the exchequer, said Monday that the sale, the biggest in British financial history, would go ahead, because it had already been underwritten.

He appealed in an interview with the British Broadcasting Corp. to the millions of small investors who have entered the market in recent years, with the strong encouragement of the Conservative government, to "keep calm" and "stay on the roller coaster."

BP shares on Tuesday closed 50 pence below the official 330-pence offer price.

"Are people prepared to buy shares when they see that they go down as well as up?" asked Christopher Johnson, chief economic adviser to Lloyds Bank. "I would have thought not."

"This will be the real test of the government's privatization policies," he added, noting that previous government share sales had all benefited from a bull market.

Andrew Britton, director of the National Institute of Economic and Social Affairs, a leading independent forecasting organization, said that people had previously thought that buying government shares was "a sure way of making money."

The events of the past two days "will have corrected that illusion," he said.

Numerous analysts predicted that the government's plans to privatize the water and electricity industries in the months ahead would now be much more difficult.

Nevertheless, the political consequences for Prime Minister Margaret Thatcher might not be too serious, Mr. Britton predicted.

Mrs. Thatcher has been trying to widen support for her government and its economic policies by extending share ownership more widely throughout the general population.

Mr. Britton, however, said that most of those who were going to buy government shares had probably already done so in earlier privatizations, such as those of the gas and telephone industries.

More generally, however, analysts were concerned that Britain was particularly exposed to the risk of a downturn in the U.S. and world economies that could be precipitated by the latest financial upheavals.

Mr. Lawson insisted that "the only way in which the American economy would go into recession is if it actually talks itself into recession."

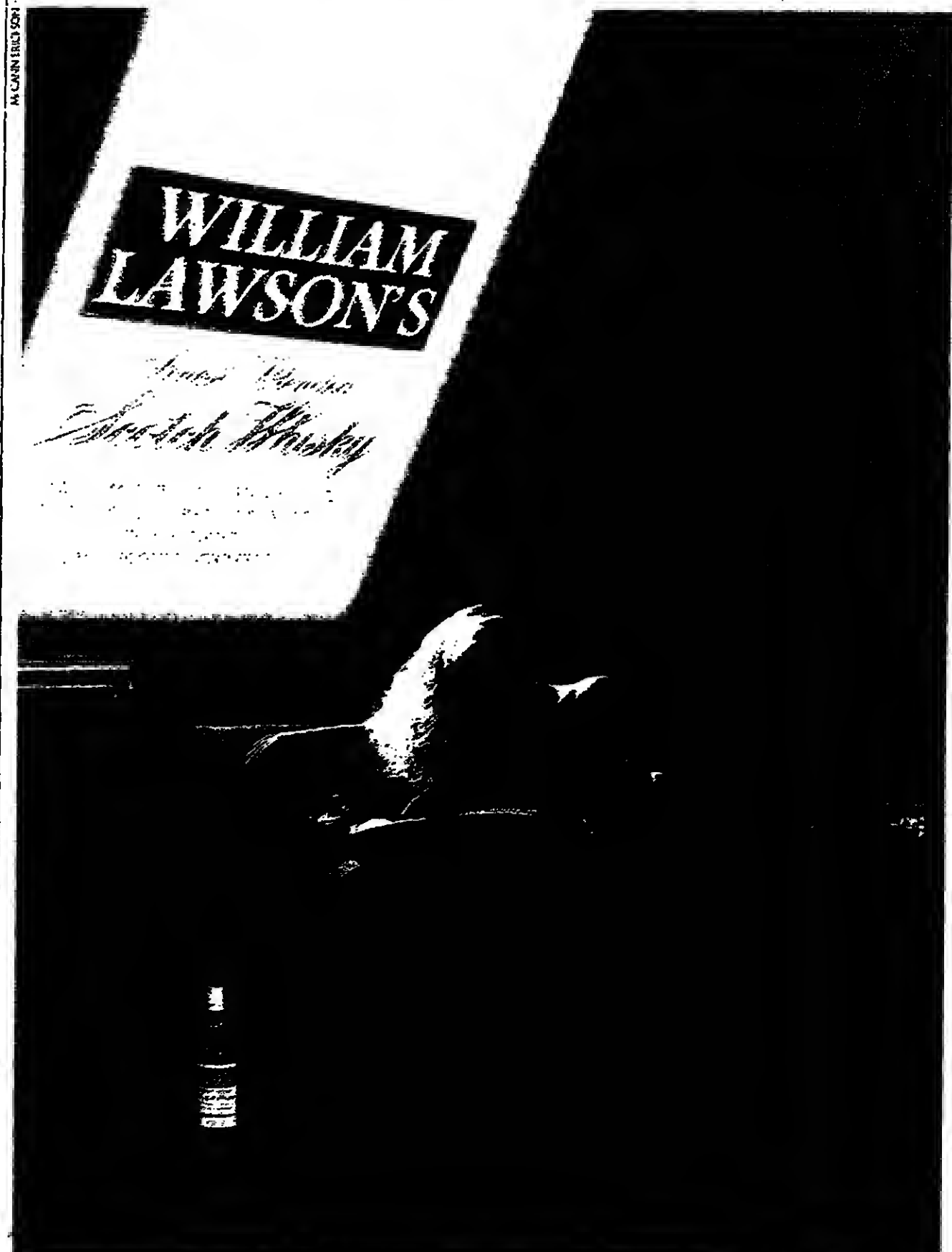
He said he saw no fundamental reasons why the U.S. economy should suffer a recession, "and indeed the possibility of higher interest rates would certainly in my judgment not lead the American economy into recession," he said.

Some private analysts said, however, that the international stock markets were a leading indicator of the economic cycle and that they were signaling a worldwide downturn, particularly in the United States, where growth might fall to 1.5 percent next year.

British analysts agreed that Washington would have to increase taxes and probably accept a further moderate fall in the dollar in the months ahead.

A tax increase would help cut the budget deficit and reduce the trade deficit by dampening the economy, they argued.

Slower U.S. growth would be particularly unwelcome for Britain at a time when it is risking balance-of-payments difficulties by expanding faster than its main trading partners.



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NYSE Most Actives table with columns for Vol, High, Low, Last, Chg.

Market Sells table with columns for NYSE 4 p.m. volume, NYSE 4 p.m. volume, etc.

NYSE Index table with columns for High, Low, Close, Chg.

Tuesday's NYSE 3pm logo with 'Via The Associated Press' text.

AMEX Diary table with columns for Class, Chg, Week Ago, Year Ago.

NASDAQ Index table with columns for Composite, Industrial, Finance, Insurance, Utilities, Banks, Transp.

AMEX Most Actives table with columns for Vol, High, Low, Last.

Dow Jones Bond Averages table with columns for Bonds, Utilities, Industrials.

NYSE Diary table with columns for Buy, Sales, S'prt.

Odd-Lot Trading in N.Y. table with columns for Oct. 19, Oct. 16, Oct. 14, Oct. 13.

Dow Jones Averages table with columns for Open, High, Low, Close, Chg.

Standard & Poor's Index table with columns for Industrials, Transp., Utilities, Finance, Insurance, Banks, Transp.

NASDAQ Diary table with columns for Class, Chg, Prev.

AMEX Stock Index table with columns for High, Low, Close, Chg.

Large table of stock prices and market data, including columns for 12 Month High, Low, Stock, Div, Yld, PE, etc.

MARKETS: Prices Rebound, Dow Up 102

(Continued from Page 1)

largely caused by the stock market drop, bond dealers said. Investors searching for a safe harbor funneled money into U.S. Treasury securities...

But at midday, under pressure from margin calls, mutual-fund redemptions and computerized selling programs, trading halted in many blue-chip issues because sellers could not find buyers.

In the early afternoon, the Dow rallied another 90 points, then lost most of that advance. At about 2 P.M., the index began rising again, racking up a 180-point gain before retreating to closing levels.

"It was a reasonably scary day," Mr. Shopkorn said. "At one point the exchange closed down a whole lot of big stocks because there were sellers and no buyers. There was no one to

Due to the extraordinary volume of trading on Wall Street, these pages include prices as of 3 P.M.

Table of stock prices and market data, including columns for 12 Month High, Low, Stock, Div, Yld, PE, etc.

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Chopard GENÈVE advertisement featuring an image of a watch and text: 'Gstaad A timeless masterpiece. A unique combination of centenary tradition and contemporary design.'

Large table of stock prices and market data, including columns for 12 Month High, Low, Stock, Div, Yld, PE, etc.

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Jeffrey L. ...

Telecommunications

IN THIS REPORT

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In theory, no one questions the value of an integrated, worldwide, all-purpose telecommunications network, but the reality is a good deal more prosaic.

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After making great strides in upgrading its telecommunications system, Brazil is trying to prevent a slide backwards to a third-rate status.

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The multiplicity of "languages" is preventing telemail services from expanding across national frontiers.

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Alternative technologies, such as backyard satellite dishes and "wireless cable" systems, have met with little success in their efforts to secure a foothold in the U.S. video marketplace.

Telephony Bursts out Of the Mold

By Eli M. Noam

NEW YORK — Today's policy changes in telecommunications are part of a broad transition in the public network — a system that dates back to the emergence of postal monopolies in the 16th century.

That system was based on a centralized monopoly that enjoyed broad interest group support from what may be called the postal-industrial complex of equipment companies, the rural population labor unions and state bureaucracy. The network was universal in reach, price-controlled as a necessity, and redistributive in charges. As a public service, telephony was outside the mechanism of the market, even in otherwise free-economy countries.

But despite its popularity, the traditional model of the public network has not escaped the multiple forces that have undercut its stability. Technology is one of them, but one

COMMENTARY

should not exaggerate its contributions. More significant was the emergence of the information-based service economy as a mainstay of developed countries.

Electronic information transmission became of ever-increasing importance to the new services sector — and a major expense item. Price, flexibility, security and reliability became variables requiring organized attention by a new breed of experts outside the PTTs.

This led, in time, to new constellations. A new alliance emerged, consisting of large users, including international firms, together with the most advanced part of the equipment industry. In consequence, we are merely at the beginning of what will be a lengthy process of change. The centrifugal forces are encouraging the evolution of a new network model of telecommunications that is characterized by a great deal of openness and resembling conceptually a matrix rather than the traditional star. Here are some of its main characteristics.

The future open network system will be one of great institutional, technical and legal complexity. It will consist of an untidy patchwork of hundreds of sub-networks serving different geographical regions, customer classes, and service types with no neat classification or compartmentalization possible. The U.S. experience demonstrates the instability of structural regulation that tends to compartmentalize the industry. Hence the future network environment will have carriers engaged in many functions, though there will be no shortage of official attempts to ensure order.

The network becomes a composite of numerous separate planning decisions. This notion is so alien to the engineering world view of telecommunications traditionalists that it strikes them as bizarre. The old perspective was that of the chain of command, long-range planning and integration. To leave this system to the vagaries of hundreds of uncoordinated and selfish actors seems to invite disaster.

Can it work? This is not the right question. Perhaps a better way to frame the issue is: Can there be a stable alternative in economics that otherwise favor a market mechanism and that want to stay on the leading edge of technology and applications?

Telecommunications is in the process of becoming a

Continued on page III



U.S. Agencies Study Effects Of New Regulatory Climate

The seven regional Bell companies want to expand.

WASHINGTON — This year could be a watershed in telecommunications policy in the United States. It is the year in which the breakup of American Telephone & Telegraph Co. got its first close examination. It is also the year in which the regulatory bonds on local monopoly telephone companies and on AT&T began to be loosened.

Federal and state regulators are replacing the 50-year-old methods they had been using to determine how much money those companies should earn. They also are rethinking how those companies should be structured to provide the most protection for rate payers, while providing the most regulatory flexibility for the companies.

When AT&T was broken up in 1984, U.S. District Judge Harold H. Greene, who presided over its divestiture, ordered three basic prohibitions for the then-newly created regional holding companies (RHCs), or Baby Bells. They could not provide long-distance service across local calling zones; they could not manufacture equipment and they could not provide information services, such as medical monitoring or data bases.

He also said that the companies would need a court waiver to enter into any other type of business. And he ordered the Department of Justice to submit a report three years after divestiture, evaluating whether the restrictions should be lifted in whole or in part.

This year the seven regional Bell companies, under the provisions for automatic review of the settlement, have been trying to persuade Judge Greene to allow them to expand by providing long-distance service. They argue that the limits imposed on them under the divestiture settlement are unnecessarily confining and that consumers are being denied the benefits of additional competition and many new products made possible by technological advances.

On Sept. 10, however, Judge Greene, issued an order finding that the long-distance and manufacturing restrictions should stay in place. He left open the possibility of Minitel-like networks developing in the United States by permitting the regional companies to provide gateway services, allowing users to enter a general menu to be directed to specific information services but not content or messaging, for vendors of information services. He also abolished the need for waivers for telecommunications businesses.

Earlier, Peter Huber, a consultant for the Justice Department, had published a report called "The Geographic Network," in which he had concluded that the telecommunications system had changed radically because there was so much intelligence in customer-based switching devices.

He recommended that the restrictions be lifted. But he also found that more than 99 percent of the telecommunications traffic still passed through local telephone company switches, a fact that Judge Greene would use to justify his own decision as well.

Meanwhile, the Justice Department, which had first recommended that the regional companies be able to offer long-distance service outside of their service areas, reversed itself and recommended that the restriction be kept, with the possibility of lifting it on a case-by-case basis. The Justice Department also did not enforce the ban on manufacturing as strictly as some manufacturers

Continued on page V

Business

Europeans Bid For Bigger Slice Of U.S. Market

By Arthur Brodsky

WASHINGTON — Earlier this year, when the Federal Communications Commission had sparked a debate over U.S. trade policy while the French government was deciding whether to sell its national telephone switching system to American Telephone & Telegraph, Ericsson or Siemens, there was a brief story making the rounds in Washington.

AT&T, it was said, had the FCC Chairman Mark S. Fowler's heart. But Siemens had President Ronald Reagan's ear, literally. He wears two hearing aids manufactured by the German multinational giant.

Three years ago, none of the major European telecommunications manufacturers had any presence in the huge and lucrative U.S. market. Now, through rapid expansion and big spending, they have become an integral part of it although they still lag far behind AT&T and Canada's Northern Telecom.

Their equipment is found not only performing the mundane switching tasks done in central offices, but also on the cutting edge of U.S. technology.

Whether it tests for Integral Services Digital Network (ISDN), fiber optics, packet switching or cellular radio, Siemens and Ericsson are there. And Stromberg-Carlson, now owned by Plessey of Britain, is also making a strong bid for a larger share of the U.S. market. To some degree, they have also injected themselves into U.S. policy debates, before both the Federal Communications Commission and Congress.

The largest equipment buyers, the seven divested regional holding companies, were eager to look to new telecommunications suppliers. They had AT&T and Northern Telecom, but they also wanted a third supplier to avoid a cartelization of the marketplace. It is still not clear who that third supplier will be, and once the market shakes out, it may vary from regional company to regional company.

Apart from the central office switch market, European suppliers are also making their presence felt in the large PBX market, particularly in universities and state governments.

Of the major European suppliers, Siemens has the highest profile. It scored a major coup by supplying packet switches for Bell Atlantic, Nynex, Ameritech and U.S. West. To help market the packet networks, and its switch, Siemens came up with a mobile demonstration display that has a variety of terminals and can demonstrate automatic bank teller transactions, credit card verification, electronic mail and other capabilities.

The packet switching sales are important not only in their own right but because they are seen as the forerunner of full-blown ISDN services. In another cootex, Bell Atlantic and the Bell Communications Research (Bellcore) research consortium owned by the regional holding companies, are conducting a nine-month test of Siemens' digital EWSD central switch in an ISDN trial that will include a test to determine if the Siemens product can be connected to existing analog AT&T switches.

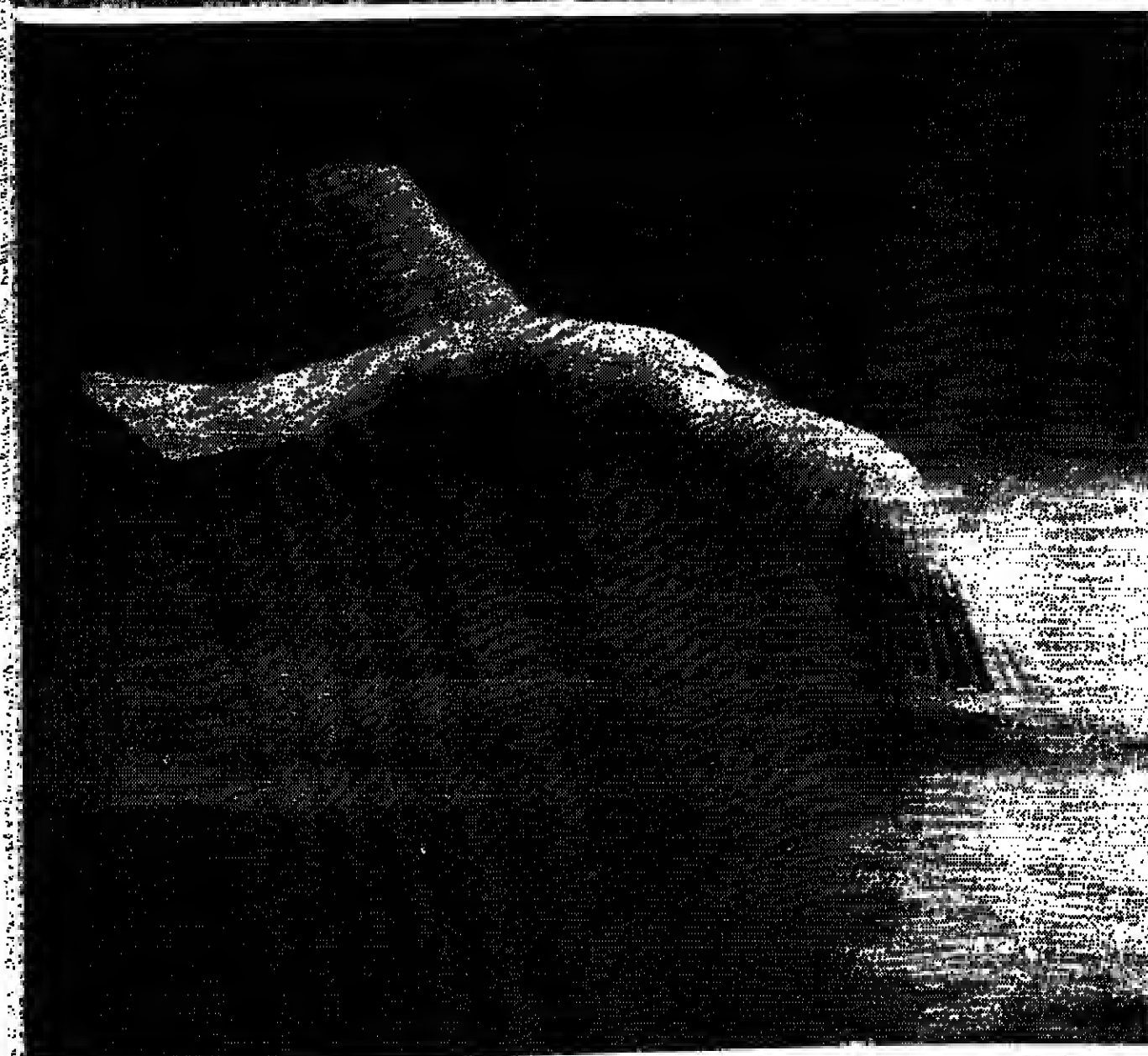
Similarly, Southwestern Bell is ISDN-testing the Siemens switch in its Advanced Technology Lab in St. Louis, along with switches from other manufacturers, including Ericsson.

Siemens apparently intends to maintain a strong U.S. presence. Altogether the Siemens companies employ more than 24,000 U.S. citizens, have \$1.3 billion invested in the United States and \$2.2 billion in revenue. Siemens Communications alone employs more than 6,200. President Herbert Asmussen has said that his part of the company is a "not exporter," and thus a positive force in helping to reduce the U.S. trade deficit.

To gear up for a big rush at the U.S. market, Siemens is converting part of its U.S. factory capacity into manufacturing space for the EWSD switch. The factories, in New Jersey and New York, will also continue to produce packet switching equipment. At the Boca Raton, Florida, headquarters of Siemens, the company has dedicated a new research center exclusively for the EWSD. It will employ more than 500 engineers.

As if to underscore its plans to stay in the United States, Siemens spent \$165 million early this year to buy 100 percent control of Tel Plus Communications, the largest business telephone equipment reseller in the United States. Before the deal, Siemens had held 35 percent of the Boca Raton-based firm. Siemens said it made the deal because it wanted direct control over its national marketing, sales and service

Continued on page IV



New Wings For European Telecommunications

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ISDN: In Theory Everyone Wants It, but the Reality Is Another Story

Real international compatibility in product and service offerings remains many years away.

By Jonathan Weber

GENEVA — If the long-awaited Integrated Services Digital Network (ISDN) could be judged by the audiovisual presentations that tout its potential, the verdict would be an easy one. Who could question the value of an integrated, worldwide, all-purpose telecommunications network that would allow anyone to plug in any sort of voice, data or video terminal anywhere in the world and establish instant communications with any location?

The reality, alas, is a good deal more prosaic. Even as equipment vendors and telephone service providers in the United States, Europe and Japan gear up for the start of commercial ISDN services over the next year, many are questioning whether the telephone engineer's dream of a universal digital network will translate into cost-effective solutions for genuine customer problems.

And despite widely applauded efforts in the standards arena, real international compatibility in product and service offerings remains many years away.

ISDN means different things to different people, but the core concept is quite straightforward. ISDN refers to a set of specifications for a digital telephone network architecture agreed on as international standards by the International Telegraph and Telephone Consultative Committee (CCITT), an arm of the UN-sponsored International Telecommunications Union.

CCITT standards are developed by technical committees made up of representatives of the major telephone service providers and equipment manufacturers, and then voted into existence by the quadrennial plenary assembly. Although the 10,000 pages of CCITT standards generally lack the force of the law, telecommunications companies are under considerable commercial and political pressure to adhere to them.

The ISDN plan, the bulk of which was adopted at the 1984 plenary, calls for regular telephone lines, which normally carry a modulated electrical wave, or "analog" signal, to be converted to pipes for digital bit streams, with each "basic" access line carrying two high-speed channels for voice or computer data and one low-speed channel for data or signaling information. "Primary" access lines, for office telephone systems or large computers, will carry 23 voices or data channels and one high-capacity signaling channel.

In addition, a highly sophisticated signaling system will allow telephone switching centers to talk with one another and allow terminals to talk to switching centers. The end result will be a highly flexible, "intelligent" telephone network that will handle voice and data equally

well, eliminate the need for devices such as modems and special wiring for computers, and be capable of providing a host of fancy routing and control services.

In theory, the entire worldwide telephone network will gradually be converted to ISDN, but in practice ISDN will be an optional service that interested customers can buy. And telephone service providers now face the challenge of persuading their customers that ISDN is something they really need. Already it seems clear the average residential user will have little interest in ISDN.

"It will be some time before we see ISDN in the home," conceded Dick Snowden, director of the concept development center at AT&T. "There doesn't seem to be any real problem there that ISDN can solve."

Nifty features, such as incoming call identification, might appeal to the curious few, but it is a rare householder that needs data channels 50 times faster than the average computer modem.

Business customers are a different story. Many undoubtedly have a growing need for high-speed data services and the flexible call routing capabilities that ISDN can provide.

But large companies, especially those in "information intensive" industries such as finance, have been building increasingly sophisticated private telecommunications networks using leased circuits and computerized office telephone switches.

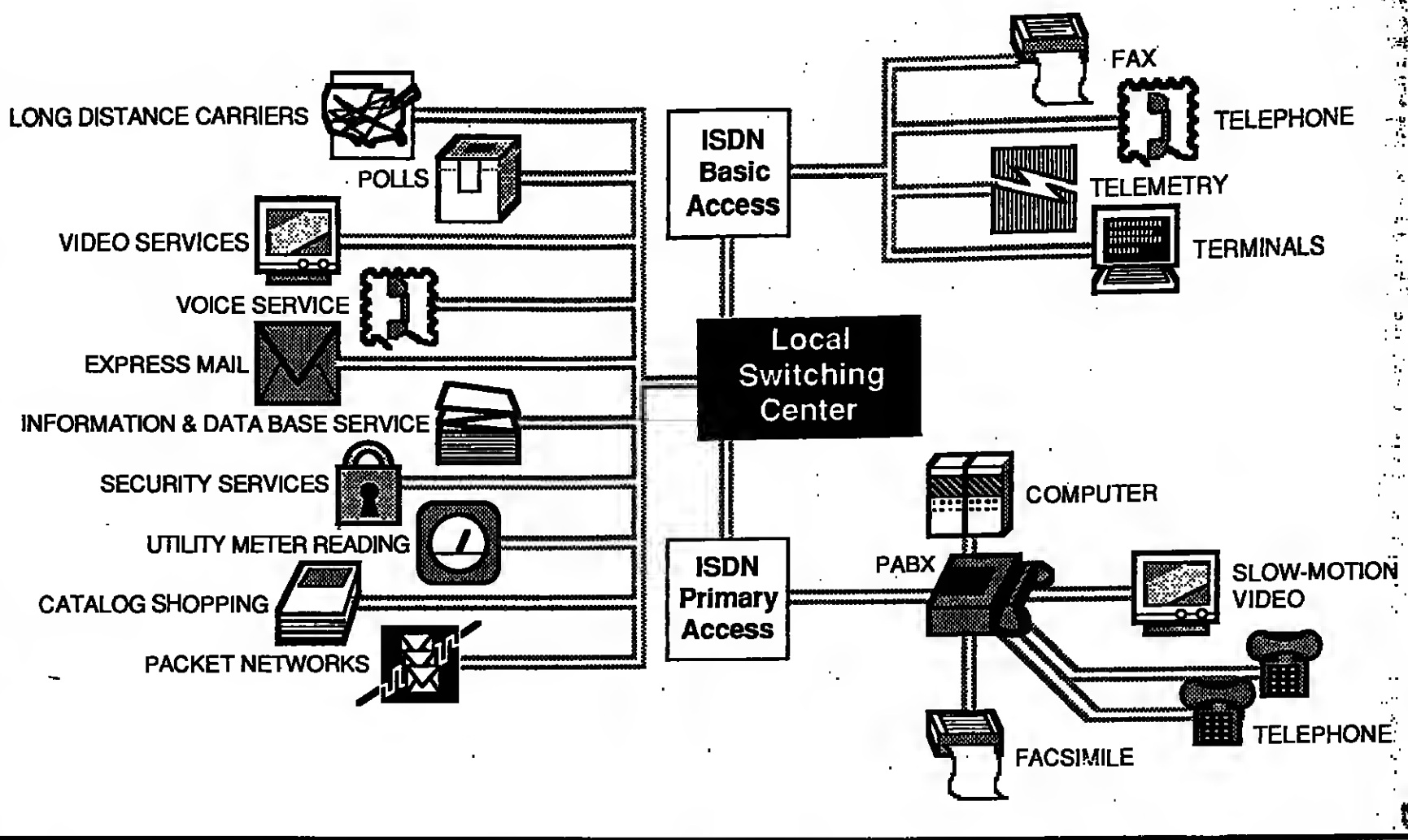
"Most of us have private networks already, and we already do the things that ISDN will allow you to do," said George McKendrick, executive director of the London-based International Telecommunications Users Group. "There is an indication that it will be better to do these things on ISDN than on private networks. There will be a lot of reluctance among big users to turn over to ISDN."

Overcoming this reluctance is the challenge now facing the European PTTs and U.S. Bell operating companies that have made ISDN the centerpiece of their technical and commercial strategies.

"Certainly, there are corporations that are performing all these functions themselves," said Joseph Miller, head of ISDN technical development for U.S. West, the 14-state regional operating company that now has four ISDN trials under way. "But we feel that for similar applications, we should be able to offer users significant savings."

Telephone operators have considerable resources with which to wage what promises to be a long war against private networks. For one, they can offer tariff structures that discourage the use of leased lines and make ISDN a much cheaper alternative than premises-based computer and phone networking solutions.

ISDN: How the System Can Work



This appears to be the strategy of the French Direction Générale de Télécommunications and the German Bundespost, both of which plan to offer local ISDN service within six months. Their price schedules show that basic ISDN access lines will cost a bit more than double the price of a regular telephone line, plus usage charges.

THIS appears to be a bargain — since an ISDN line will have the capacity of two regular telephone lines plus other capabilities — but is less revealing than it appears. No prices have been fixed for ISDN connections with office telephone switches, which are crucial for luring large business customers, and many of the special services ISDN will eventually provide have not yet been priced. In addition, the cost of ISDN terminal equipment remains unknown.

An equally important strategic tool in selling ISDN is the prospect of broad standardization, which would relieve the corporate customer of the burden of integrating the incompatible hodge-podge of equipment and services that are currently woven into private networks.

"The value of ISDN to many customers is standards, rather than an independent signaling channel or integrated voice and data," said Mr. Snowden of AT&T. "If you can have a single wiring system in a building, that has tremendous advantages." And those advantages are magnified if you can have the same wiring plan and a similar set of services in all company locations worldwide.

But to exploit these advantages, telephone operators and equipment vendors must overcome two tricky problems: First, they must attract enough customers to make broad deployment of ISDN economical, but of course customers will be inclined to wait for broad

deployment before moving to ISDN, since ubiquity is supposed to be one of its great advantages.

A second difficulty stems from the fact that standards inevitably lag behind technological development, and they are less rigid than the term suggests. A variety of choices exist as to how to implement the current ISDN standards, and while some of those options will eventually be standardized, some will not.

Thus there is a risk that ISDN in West Germany will look different from ISDN in France (despite efforts by the European Community Commission to prevent such a situation) and both may be different from what emerges in the United States. ISDN in California could even be different from ISDN in New York.

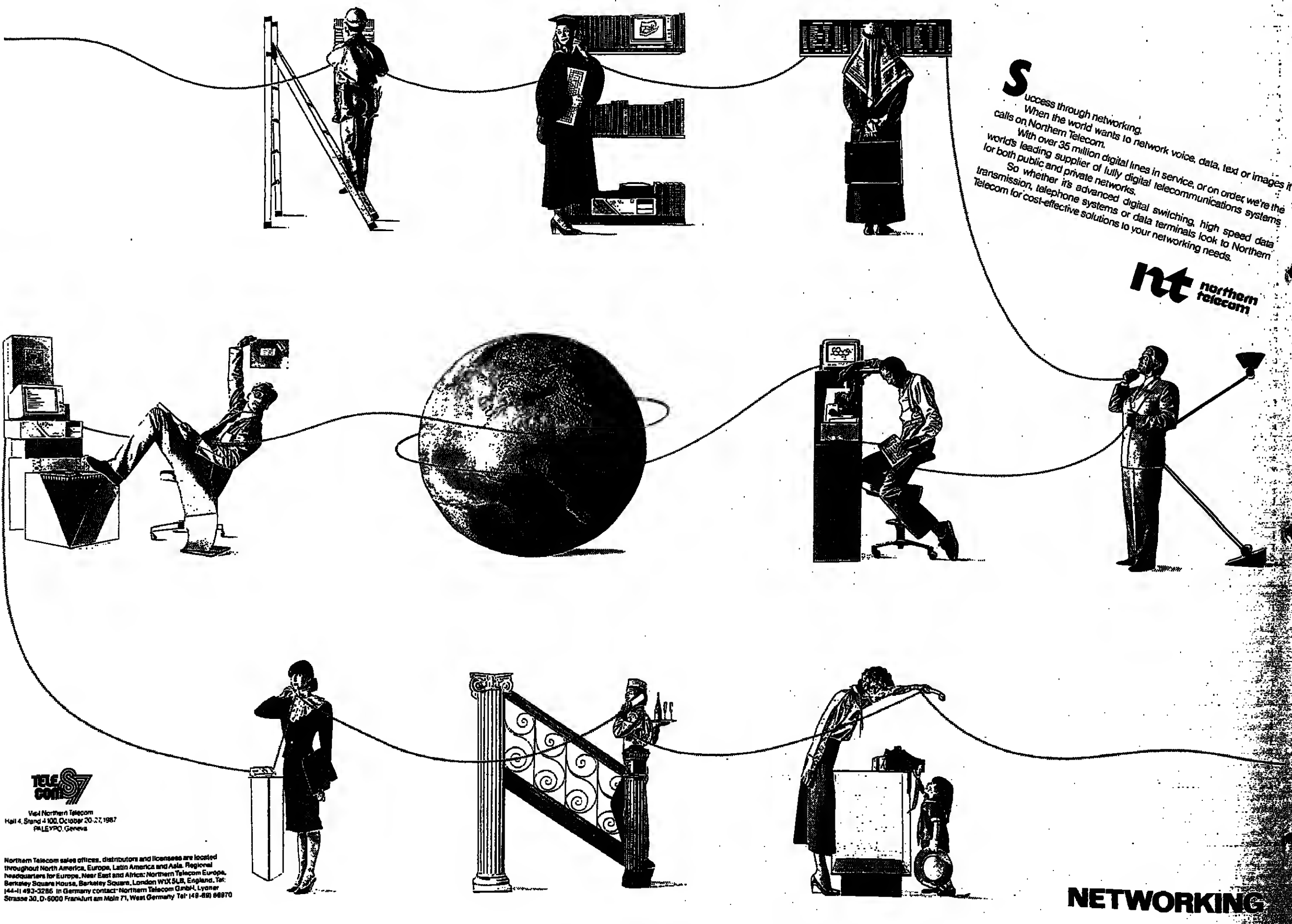
Most industry officials express confidence in the CCITT standards effort and doubt that

incompatible ISDNs will be the rule, but there are some discouraging precedents. The X-25 standard for data networks, for example, has yielded national and regional networks which are not really compatible; inter-network links require custom-built gateways.

Indeed, the legacy of different technical standards on different continents and uneven public network development worldwide seems sure to prevent the emergence of a unified, global ISDN for the foreseeable future.

At the same time, heavy investment in ISDN infrastructure will certainly yield service offerings that are useful to some customers. ISDN promoters must now manage the treacherous transition from engineers' dream to saleable product.

JONATHAN WEBER is senior editor of the Geneva-based World Link publication.



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NETWORKING

Brazil

By Mac Margolis

SAO PAULO — It's more than 2,000 miles from the Amazon basin to the state of Cachoeira, a small town in the state of Pernambuco. To get there, you have to take a five-day bus ride up the Rio Negro or, when it rains, a more direct route from Manaus. No high-speed roads and until last year, the telephone never rang in the town.

But now, thanks to a project by the state-owned Sao Paulo Telephone Company, the town has a telephone line. The project was part of a larger plan to improve telecommunications in the state.

Mr. Sarney's call was part of an extraordinary development that has taken the country's long backward communications system and put it on a par with those of the most advanced countries. He made the call from a 50-line municipal communications center in Sao Paulo state that is designed to handle the number of terminals that will be installed in the state. This station, which is the latest in a series of stations that have continuous channels and allows a large number of terminals to be connected to a single line, is a major step toward a nationwide network of terminals.

However, even though the Sao Paulo system is plugged into the national network, only a limited number of residents have phones. The telephone industry is supposed to be in the process of letting more lines in the network, but it will take up to two years to complete the work.

A fall in government investment, overlooking demand, steady disappearance of capital communications stations, badly deteriorated telephone multiplexing busy signals, obsolete assembly lines of components equipment, inadequate telephone company, doesn't give a massive transformation fund, the system that Sarney called the "sixth stage" of the world's most important telephony.

As Mr. Sarney declared, talking to Sao Gabriel, the

Telephone Out of the

Continued from page 11

ing transformed from one of the least regulated industries to one of the most. The system is increasingly difficult to fault, consistent rules, and rules are likely to be enforceable. The effects of the regulations — streamlining of electronics and photons, and terms of signals that constitute formation — are elusive in physical or even conceptual terms, at the same time fast and demanding.

And yet there is a need for regulatory oversight of the rules under which networks and users interact in the future; to bridge the tension will be one of the challenges for regulatory policy.

The traditional public system may be losing its exclusivity, but gaining the flexibility of moving into new activities, including computer manufacturing, computer applications. These horizons are an attraction to PTTs as they consent to the loss of a monopoly; for policy makers, it raises regulatory issues on how to deal in the transition phase, the still-substantial economic power of the unchained PTTs.

It will become increasingly difficult to reach or maintain agreements on standards as the number of interests and participants multiplies. Instead, standards setters or coalitions will emerge around which other services will not usually be attractive to users. The system may be fully convergent, and some parallel standards are likely. Fortunately, electronics is flexible; the industry of information protocol arbitrage from one standard to another will emerge.

Networks must normally be able to interconnect into other networks as a matter of right, even if they are rivals. This principle requires clarification of charges and quality standards interconnection, and this is likely to remain a regulatory question for a long time.

While the right of interconnection deals with networks' links with each other, the right of access concerns users' ability to reach services, and the answer is likely to be differentiated. For more specialized services, the general obligation will not exist. But for basic service it will continue, and expand. The boundary line is likely to be an ongoing issue of policy debate.

A Scarcity of Funds

Brazil Struggling to Stay on Hold

By Mac Margolis

SAO PAULO — It's more than 2,000 miles from this megalopolis to São Gabriel da Cachoeira, a sleepy Amazon jungle town near the Venezuela border. To get there, one can take a five-day boat ride up the Rio Negro or, when it's not raining too hard, a twin-engine prop plane that leaves three times a week from Manaus. No highway goes that far and until last month the telephone never rang there.

But on Oct. 1, President José Sarney dialed São Gabriel's mayor to say hello and to inaugurate the ten thousandth Brazilian town to be plugged in to the country's expansive telecommunications system.

Mr. Sarney's call was symbolic of an extraordinary development drive that in just four decades has taken this country's sluggish, backward communications system and put it on a par with those of the most advanced countries.

He made the call from a new \$26 million communications station in São Paulo state that is designed to boost the number of international telephone calls by 50 percent. This station, Brazil's 27th, is the latest monument in a campaign that has connected all Brazilian cities and towns to a system of cables, microwave ground towers and satellites.

However, even though distant São Gabriel is plugged into long distance cables, only a handful of its 24,000 residents have telephones. The telephone industry is so stopped up with back orders that customers in the largest cities, let alone those in the hinterlands, must wait up to two years for a telephone line.

A fall in government investment, skyrocketing demand and steady dilapidation of cables and communications stations have badly deteriorated telephone lines, multiplied busy signals and dogged assembly lines of communications equipment industries.

Experts say that if Telebrás, the telephone company, doesn't receive a massive infusion of funds soon, the system that Mr. Sarney called the "sixth largest in the world" could slide to the status of those in the most indigent nations.

As Mr. Sarney declared, after talking to São Gabriel, the stakes

Two million Brazilians want to buy telephones but cannot because the system cannot expand fast enough.

are high. "No nation will be truly free and independent, as the 21st century dawns, without mastering technology," he said.

Telecommunications got a late start in Brazil, considering that the country got its first telephone in 1877, a present from Alexander Graham Bell. It took another quarter century to string thousands of miles of telegraph lines over the country, from the Atlantic coast to the Amazon jungle.

Then in the mid-1950s, President Juscelino Kubitschek vowed to move Brazil "50 years in five." During that campaign, he modernized just about everything, except communications. The futuristic capital of Brasília was built, steel industries were laid down, highways built and the sparsely inhabited backlands settled.

It was not until 1962, under a system created by President João Goulart, that the telephone system began to advance. Mr. Goulart lasted only two years before he was overthrown by the military as a "leftist," but his telephone system survived.

"The one thing the military preserved was Goulart's communications plan," said Gilberto Garbi, a former Telebrás president and now director of MEC do Brasil, the affiliate of the Japanese telecommunications company.

Mr. Goulart had created a self-sustaining administration by which the National Telephone Fund collected 30 percent of all telephone bills for financing the expanding telephone network.

In 1972, the military government refined the system, creating a telephone company for each state and Embratel, a holding company, to control investments. The military set about expanding the telephone network, dotting the landscape with microwave towers, laying three submarine cables to Europe and the United

States and buying into the Intelsat system for trans-oceanic calls. The government built a space research center and, in 1985, launched Brasilsat, the first Brazilian communications satellite for long distance calls and relaying television signals.

"The communications network was the most important work the Brazilian military achieved," said Mr. Garbi.

Despite Brazil's staggering debt burden, some advances have continued in the postmilitary years. A second satellite, Brasilsat-2, was launched last year and research is being carried out in São Paulo on improving rockets to launch more satellites and on fiber optics.

The telecommunications system on the ground has expanded as well. While there were only one million telephones up to the mid-1960s, there are now 12 million. From the remotest region of the country, a direct dial call can be made to New York or Tokyo.

But some recent figures already hint at a decline.

By one measure, Brazil, with 7.2 million telephone terminals —

there are 1.5 telephones to each terminal — ranks 10th in the world, just behind Spain and Canada. But Brazil places only 37th in telephone "density," or the number of terminals per 100 inhabitants.

And "density is the only true measurement of development," according to Luiz Carlos Bahiana, a former Telebrás executive who now heads Equitel, the Brazilian affiliate of the German communications giant, Siemens.

According to Telebrás, there are two million Brazilians who want to buy telephones but cannot because the system cannot expand fast enough.

This has spawned a thriving black market, where the lucky ones siphon their telephones at scalpers' prices.

It has also severely taxed existing lines. Brazilians make 2,500 calls per telephone a year, the highest ratio in the world. The heavy traffic has resulted in long waits for a dial tone, crossed lines and calls repeatedly falling on incorrect numbers or being cut off in mid-conversation.

The very excess in demand is, in a way, a good sign. In a country of 139 million people and with a traditional economic growth of 5 percent to 7 percent a year, there is a seemingly limitless telephone market. Telebrás has consistently been one of Brazil's most profitable state enterprises.

Yet, with rare exceptions, government investments in the telephone system have been cut back for nearly a decade.

Telebrás recently programed spending \$1 billion a year and the



Operators in the country's telephone exchanges like this one have been unable to keep up with user demands, resulting in long waits for dial tones, crossed lines and calls repeatedly falling on incorrect numbers.

installation of 800,000 telephones. But the return of triple digit inflation and Brasília's ceaseless tinkering with economic plans have frightened private investors, including those in communications.

Ironically, perhaps, the recent liberalization of Brazilian politics after two decades of military rule may have aggravated the problem.

"Unfortunately, telecommunications has been politicized. There are increasingly more politicians and ever fewer technicians, and they manage the system according to electoral needs — all the factors that make Latin America poor and miserable," said a senior executive at a private communications firm. Sources in the communications

industry say the decline need not be fatal. A healthy restoration of investments and replacing pork barrel policies with technical criteria would go a long way to help the telephone system.

"The economy demands that telecommunications keep pace with development," said Mr. Garbi.

Meanwhile, in São Gabriel da Cachoeira, as in other towns, the phone may keep ringing, but for the very few.

MAC MARGOLIS is a correspondent for Newsweek based in Rio de Janeiro. He contributes regularly to The Times of London.

Telephony Bursts Out of the Mold

Continued from page 1

ing transformed from one of the most regulated industries to one of the least regulated. The growing complexity of the system makes it increasingly difficult to fashion consistent rules, and rules are not likely to be enforceable. The subjects of the regulations — streams of electrons and photons, and patterns of signals that constitute information — are elusive in physical or even conceptual terms, and at the same time fast and distance insensitive.

And yet there is a need for regulatory oversight of the rules under which networks and users interrelate in the future; to bridge this tension will be one of the central challenges for regulatory policy.

The traditional public system may be losing its exclusivity, but it is gaining the flexibility of moving into new activities, including equipment manufacturing and computer applications. These new horizons are an attraction to PTTs as they consent to the loss of monopoly; for policy makers, they raise regulatory issues on how to deal, in the transition phase, with the still-substantial economic power of the unchained PTTs.

It will become increasingly difficult to reach or maintain specific agreements on standards as the number of interests and participants multiplies. Instead, standards setters or coalitions will emerge around which other actors will cluster, since incompatible services will not usually be attractive to users. The system may not be fully convergent, and some parallel standards are likely. Fortunately, electronics is flexible; a brisk industry of information and protocol arbitrage from one standard to another will emerge.

Networks must normally be able to interconnect into other networks as a matter of right, even if they are rivals. This principle requires clarification of the charges and quality standards for interconnection, and this is likely to remain a regulatory question for a long time.

While the right of interconnection deals with networks' linkage with each other, the right of access concerns users' ability to reach, if technically possible, any network they choose to, and to join, under natural conditions, user-group networks.

An open network system raises the question whether the obligations of a network operator to serve all interested users, regardless of location, applies to all services, and the answer is likely to be differentiated. For more specialized services, the general obligation will not exist. But for basic service it will continue, and the definition of "basic" is likely to expand. The boundary line is likely to be an ongoing issue of policy debate.

While it is unlikely that the traditional system of internal transfers from one class of users to others can be maintained, this does not spell the end of transfers; though there will be more external and less internal ones. Subsidies are likely to become more narrowly targeted to the poor.

The open system is not efficient in the sense of minimizing resources. There is nothing unusual about this; almost every industry has excess productive capacity. In telecommunications, with its low marginal costs, competition will cause periodic price instability, and future regulation will need to moderate price volatility and at the same time prevent the likely industry efforts at collusion.

Telecommunications operations will transcend the territorial concept and the notion of each country having total territorial control over electronic communications will become archaic. Supranational carriers and mechanisms will eventually evolve.

The two network concepts — centralized and open — are reflected in the present two major initiatives of their respective proponents. ISDN (Integrated Services Digital Network) is an archetype for the centralized network model, while the ONA (Open Network Architecture) concept, at present before the Federal Communications Commission, aims at disaggregating and opening the very core of the network.

Those holding the centralized concept of networks are captivated not just by its technical capabilities, but also by the more political notion of the exclusive super-pipe. ISDN at once reaffirms the view of the network as a centrally planned and exclusive system while providing a powerful and yet ultimately futile defense against centrifugal forces.

The traditional public network was a very appealing concept amid the cold rationality of capitalism. It was a notion of sharing, interconnecting and reaching every member of society. But certainly, the historical origin of the system, rooted as it is in 17th century European absolutism, does not support those who presently view its defense as a progressive act.

In the future, telecommunications will more closely resemble the rest of the economic system and will be less part of the political sphere. It may be much more efficient and, in parts, even less efficient than the old system, but it will be a closer reflection of the underlying complexities of society and economy.

ELI M. NOAM is a member of the Public Service Commission of New York. He is completing a two-volume study of the political economy of European telecommunications.



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For Telecom '87, NTT will exhibit at booth 5.101 a prototype for ISDN network services which conform to CCITT recommended I-series interfaces. NTT plans to begin commercial ISDN service no later than April, 1988.



NETWORKING

Teleport Development

Language Services

Satellite Dish 'Farms' Sprouting Worldwide to Speed Data Services

By Paul Kemezis

SAN FRANCISCO — Teleports, a product of America's deregulated telecommunications environment, are spreading around the world. By the early 1990s, there will be over a dozen teleports operating in Europe and at least six in Asia. However, they will all be different, with the forms of ownership and services varying widely depending on the local telecommunications regime.

The raison d'être of all teleports is that various high-speed digital and video services are not provided efficiently or economically by the local telephone company. Teleport developers believe that large data users, such as banks, news groups and television networks, will buy such premium digital services offered by teleports to get around the local bottlenecks.

The main component of a teleport is usually a satellite dish "farm" near a large city, usually offering facilities to several satellite transmission companies the way an airport offers services to airlines. Such a setup is possible because recent technical advances allow dishes to operate in cities despite urban interference.

The teleport's satellite access is normally

coupled with a sophisticated data communications but providing high-capacity fiber optic or microwave links to the downtown business center and surrounding region as well as special services such as video-conferencing.

In the deluxe model, the teleport is also part of a "smart building" development, providing a way for businesses with large data transmission needs to operate directly at the satellite gateway. This gives them better service and cheaper overall costs.

The emphasis among these three components depends on the place. In Europe, for example, an American-type bypass of the local telephone company is still not possible in most countries because of PTT monopolies. Therefore, European teleports are being developed by local governments as zones of expertise and advanced services in cooperation, not in competition, with the PTTs that still control satellite access.

In Japan, the teleports are parts of semi-public office development schemes needed to overcome downtown business crowding.

Perhaps the most complete teleport is in New York. The facility, opened by Teleport Communications in June 1985, includes a satellite dish farm on Staten Island and a 150-mile (243-kilometer) fiber optic network running through Manhattan and nearby suburbs.

According to DuWayne J. Peterson, executive vice president of Merrill Lynch, which is a major investor in the project, "teleports have created their own systems because the telephone companies have failed to provide the right facilities at the right price."

The Bay Area Teleport in Oakland, California, operates much like the New York teleport with a regional microwave network drawing data traffic from as far as Sacramento. It boasts a geographically unique capability to shoot both Europe and Japan from its satellite dishes on a hill above San Francisco Bay.

In all, there are approximately 30 teleports in the United States, ranging from sophisticated New York-type operations to simple dish farms serving only the cable television industry.

In Canada, the Montreal and Toronto teleports are operated by Telesat, a subsidiary of the large Canadian telephone companies. They are integrated parts of the telecommunications system and will eventually be linked in a single network with similar teleports in Edmonton, Alberta; Vancouver, British Columbia, and other cities.

In deregulated Britain, teleports are a means of competition. Both British Telecom and Mercury operate teleports in London's giant Docklands redevelopment project with high-capacity

links to the city center. British Telecom provides cable television service to Europe and also serves several financial groups. Mercury has built its business around moving financial data across the Atlantic and worldwide, serving the London Stock Exchange and much of the banking community. Both look for business from publishing groups such as Reuters which are locating in the development.

On the continent, the teleport concept is much more fluid. The Dutch have teleports in Amsterdam and Rotterdam. The one in Rotterdam is mainly a large fiber network running through the 30-mile-long Europort complex with various scattered satellite connections geared for quick data services for shippers.

"If you ask a taxi driver in take you to the Rotterdam teleport, he can't" joked one official of the Amsterdam Teleport Office Park, now nearing completion, which is a "smart" building development at Sloterdijk emphasizing integrated trading services.

In France, several teleports are being planned, but in places such as Metz, Roubaix and Poitiers, where they are purely regional development vehicles. French officials are still unclear about Paris, where a regional teleport is on the drawing boards.

The most advanced teleport concept in West Germany stretches the definition almost to the

breaking point. Cologne city officials will convert the St. Gereon rail yard, at the edge of the downtown area, into the Cologne Media Park, a collection of "intelligent" buildings with special video and data services. But there will be no satellite dishes since the Bundespost will keep that business to itself and use existing installations, including its telecommunications tower in Cologne that literally overshadows the new development.

Jaap Engels, who chairs the World Teleport Association European section, said that most large European cities are looking at the teleport concept as a way to enhance their links to the international business, shipping and financial world.

Athens, Genoa, Naples, Vienna, Berlin and Madrid all have projects under study. Lisbon, as a satellite gateway to South America and Africa, will operate at teleport through its World Trade Center, a pattern likely to be repeated in other medium-sized business centers.

Mr. Engels said, "In Europe the teleports are pushing the PTTs to advance their plans for new services and put them first in concentrated zones. Businesses, who are frustrated by PTT slowness in providing new links, have begun to learn that they will probably get them faster through us."

European teleport backers were encouraged by the European Community's recent green paper urging liberalization of value-added telecommunications services, asserting that it confirms the thinking behind teleports even if all EC members are not yet ready to change policy.

The first phase of the Osaka teleport, with satellite and regional fiber optic links, will be in operation by 1989 with the full project serving a new business and research district on several islands in Osaka Bay ready by 2000. Plans for Tokyo and Yokohama are equally big but will take a few more years to come on line. Japan is expected to be the center of the teleport movement in Asia since South Korea, Hong Kong and Taiwan are only just starting plans.

Teleport promoters, such as Mr. Engels, believe the concept now has enough momentum to become an accepted, worldwide phenomenon; but others are cautious. For example, the idea of a unified global data network among teleports is still considered unrealistic by many experts.

PAUL KEMEZIS writes about telecommunications for McGraw-Hill in San Francisco.

U.S. Study

Continued from page 1

would have liked, interpreting it to mean fabrication only, while the regional companies would be free to conduct design, development and research work on products.

As the basis for his decision, Judge Greene reasoned that the same basic condition that existed at divestiture still exists: the telephone companies control local bottleneck facilities with little or no competition, and still have the incentive and opportunity to take unfair advantage of competitors if allowed into the long-distance and manufacturing businesses.

But Judge Greene also wanted to increase the chances for a video service to develop, without endangering the information service providers. They, like long-distance providers, are dependent on the connections to the local network, according to Judge Greene.

Most of the regional companies, the Federal Communications Commission and the Reagan administration criticized Judge Greene's decision.

At the FCC, major regulatory policies were formed that will have an impact on telecommunications for years to come. One, made by Dennis R. Patrick who succeeded Mark S. Fowler as FCC chairman in April, would change the manner in which AT&T, and possibly the other "regulated" telephone companies, are regulated.

Now, the FCC sets a rate of a return for interstate AT&T and local exchange carrier services, based on the costs of those services, and allows the companies to set their prices to meet the mandated rates. This "rate-based" pricing is frequently used in regulating other utilities, such as electricity and gas.

In August, the FCC proposed simply setting a cap on AT&T's prices and allowing it to earn whatever it could under those prices. If this system works well with AT&T, it could be extended to the interstate services of local telephone companies.

AT&T, which has been fighting since divestiture for regulatory relief, has supported the proposal. But many opponents argue that it will give AT&T too much room to underprice some competitive services and overcharge for others for which customers have little choice.

A second major issue at the FCC is how the regional companies will be able to offer enhanced services, many of which are not yet allowed under the terms of the divestiture consent decree. The FCC said that the regional companies could do away with a 1980 mandate that a structurally separate RHC subsidiary had to be established to offer the services, and said that the regional companies had to comply with FCC ordered accounting standards to make sure that rate payers did not subsidize competitive services.

In exchange for this less rigorous regulatory structure, the FCC ordered that local telephone companies had to make connections to their network available to other service providers.

For the short term, the FCC mandated that the regional companies come up with plans for Comparably Efficient Interconnection, meaning that competitors in the enhanced service market would have a reasonably identical connection — the data equivalent of equal access in the voice business.

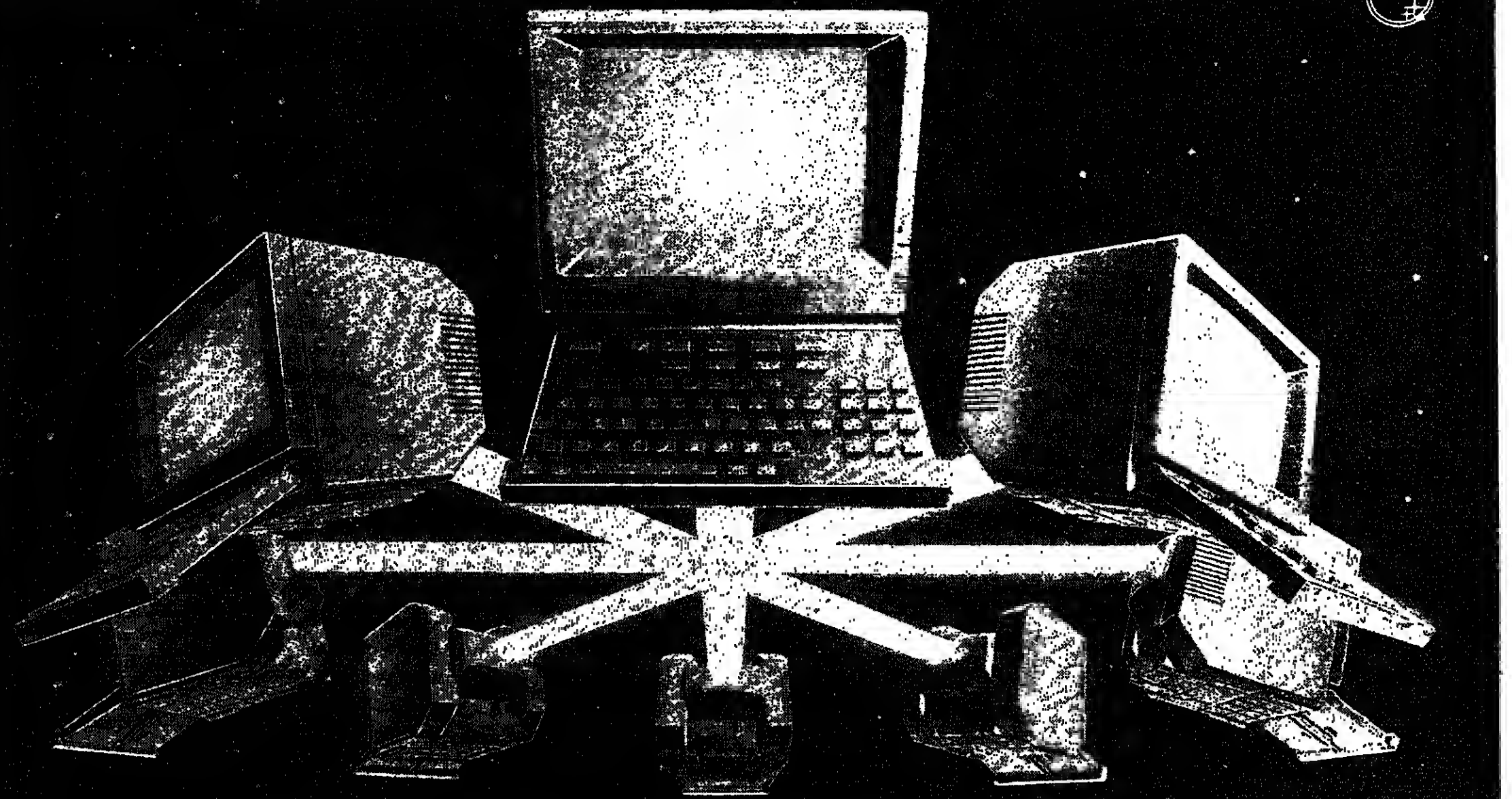
For the long term, the FCC said that the regional companies had to establish an Open Network Architecture plan, which would allow service providers direct access to the telephone company central office. Plans for accomplishing this are due at the FCC in February.

Each regional holding company has conducted discussions with users and service providers to determine what connections should be offered.

In its most controversial proposal, the FCC proposed this year eliminating a loophole that had exempted information services, such as videotex data-based providers, from paying the access charges demanded of long-distance carriers for use of a local telephone network. The proposal met stiff opposition from the information data-base industry.

Arthur Brodsky

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The Mobile Connection

Nordic Pioneers in Cellular Phones Still Dominate World Industry

By Juris Kaza

SALO, Finland — From a Finnish factory town on the banks of a muddy river and from Stockholm's high-tech suburb, Kista, two Nordic companies, Oy Nokia AB and Ericsson, dominate much of the

world cellular telecommunications market.

Nokia-Mobira, a subsidiary of Finland's largest privately owned electronics, forestry and industrial conglomerate, is a leading maker of cellular phone handsets, or "terminals." These are the devices seen in the cars of businessmen or as hand-held phones carried by

engineers on building sites or by executives into board meetings.

To the west across the Baltic, Ericsson Radio Systems (ERS), a subsidiary of the Swedish telecommunications and office automation group, has delivered around 40 percent of the "invisible" equipment serving the 1.8 million cellular phone users, according to

Lars Jonsteg, manager of systems marketing at the cellular radio division of ERS.

The system components include digital exchanges and a network of base stations, one serving each cell. While Jorma Nieminen, president of Nokia-Mobira, declares that "the aggregate mass of mobile phones is the biggest part of the

mobile telephone industry," Mr. Jonsteg stresses that it is each system's capability that determines what customers can get out of their individual terminals.

"In Europe, we are number one, generally, and in world ranking, Nokia-Mobira was number one," said Mr. Nieminen. "This year we are among the top three, but the

differences among them are marginal. Our world market share is between 13 and 15 percent."

Despite its top position, Nokia's international profile is lower than the actual reach of its products. In the United States, it holds a market share of around 14 percent, but its mostly South Korean-made equipment is marketed under the

Tandy name through the Radio Shack chain.

"We have recently started a Nokia-Mobira unit in Florida, and the intention is that the market share with our own brand name will climb, from around 2 percent to 3 or 4 percent in the near future," Mr. Nieminen said. He added that "this has been agreed with Radio Shack." The unit sells Finnish-made Mobira models suitable for the U.S. AMPS system.

Internationally, he said that the fastest growing market is Britain. Nordic markets have grown 10 times faster than projected and some are saturated. "In Iceland, we will have to start selling to the sheep," quipped a Nokia-Mobira executive.

Both Nokia and Ericsson executives agree that the United States is the largest potential market for mobile telephones.

(In Geneva last week, the International Telecommunications Union, which groups some 100 countries, opened more frequency bands for mobile phones using satellite technology. The move was primarily designed to expand car and plane telephone service in North America.)

Sweden claims to have pioneered mobile telephony in 1955. However, the explosion of the cellular market really started in 1981, when the Nordic countries and Saudi Arabia opened the first stages of the Ericsson-developed Nordic Mobile Telephony (NMT 450) cellular system.

NMT in its 450 megahertz (Mhz) and 900Mhz (NMT 900) versions has been adopted by 16 countries and is one of four standards available in the world. It is regarded as one of the most flexible and most advanced. NMT is also the largest system in the world with about 20 percent of all the world's subscribers found in Denmark, Finland, Iceland, Norway and Sweden.

NMT as implemented in the Nordic area allows subscribers to automatically dial any direct-dial number in the world, and for automatic "roaming," or moving between areas controlled by different switching exchanges. This means a Finnish subscriber can travel to Norway and still take calls, for instance, while visiting a customer on an oil rig.

Roaming is still not possible with the U.S. AMPS standard sys-

Country	Number in use
Denmark	56,000
Finland	49,600
Iceland	2,000
Norway	38,100
Sweden	112,600

tems that cover single units of areas. In Europe, the next technological breakthrough will be the single digital mobile telephone network agreed to in principle by 16 countries. It will start operation in the early 1990s.

Although scrambling is available on present-day cellular equipment, the more expensive digital service will improve security. During the merger negotiations between Asea and Brown Boveri of Switzerland, for example, executives at the Swedish company were reportedly forbidden to mention the deal on their cellular phones even though hundreds of calls are made simultaneously on the Swedish network.

Mr. Nieminen of Nokia said that despite data transmission options available on his and competitors' equipment, cellular telephony is still primarily a voice medium and the growth of other services is slow.

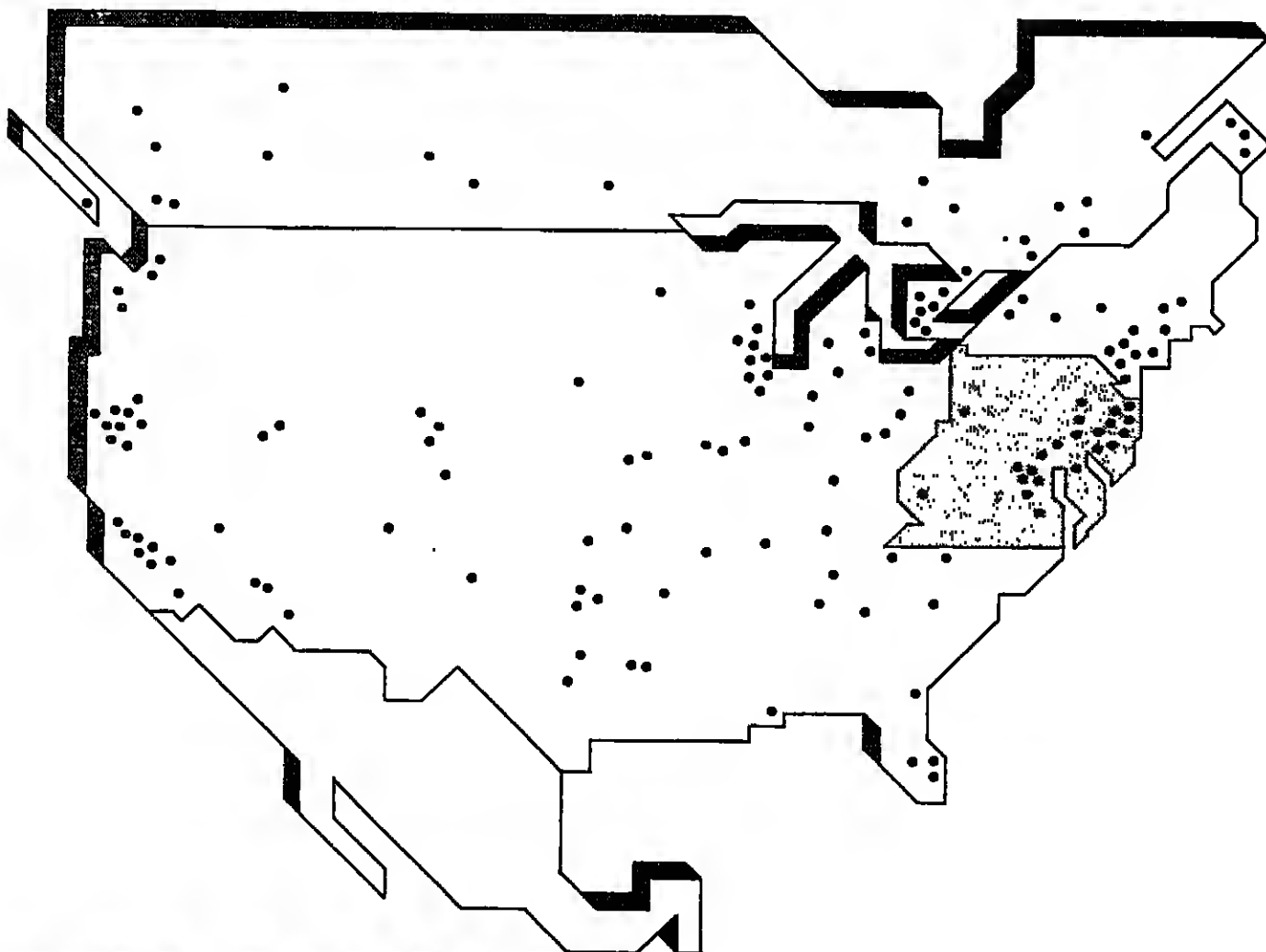
ERS can deliver equipment suited for all the major international standards, and the company uses its experience in systems planning as a major selling tool, according to Mr. Jonsteg.

"Cell planning is an important part of our service, and we work with the expectation that the systems we deliver will be expanded," he said. "Every 25th new subscriber requires a new channel, or 49 new channels per 1000."

Although it still regards itself as mainly a systems supplier, Ericsson entered the Nordic handset market with a campaign for its "Hotline" NMT 900 unit.

JURIS KAZA, based in Stockholm, contributes regularly to the International Herald Tribune's business pages.

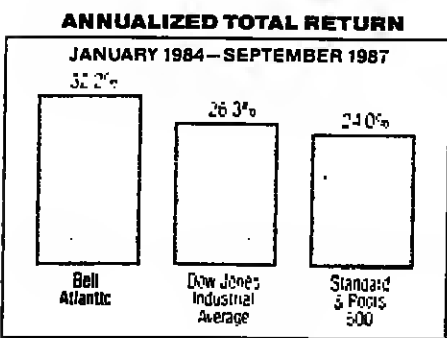
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Cable Industry Basks In Rate Deregulation

By John Wolfe

WASHINGTON — At a recent financial seminar in New York City, the president of Cablevision Industries, Alan Berry, announced that his company plans to purchase a 33,000 subscriber cable television system in southern Florida for nearly \$120 million, a deal industry observers valued at well in excess of \$3,000 per subscriber.

That would be a record per-subscriber price for a system sale in the cable industry, where \$1,500 per subscriber was the ceiling for system transactions as recently as two years ago.

"We think it is the best business in America," said Richard MacDonald, a cable analyst and vice president of First Boston Corp. "Some of us do, anyway."

That bullish view was echoed by Andrew Wallach, a Paine Webber analyst, who wrote in a recent report that cable stocks were at popular now as Iowa farmland and oil service stocks were in the late 70s. The cable industry, Mr. Wallach noted, is "currently basking in investor euphoria."

A number of factors have combined to create the current economic boom in the cable industry, according to many financial experts. Most importantly, federal deregulation of cable rates took effect at the beginning of this year, and with the freedom to raise monthly subscriber fees came increased operator cash flow.

Moreover, with the prime lending rate at 7.5 percent as recently as this spring, cheaper money was available to finance cable system acquisitions. And both the pace and value of cable transactions has increased.

Paul Kagan Associates, a research firm in Carmel, California, recently reported 118 cable system transactions through the first five months of 1987, involving 3.7 million subscribers with a total value of \$5.16 billion. Roughly the same number of systems changed hands during the same period last year, but the total value was only \$1.9 billion, with 1.4 million subscribers involved.

The players in the brisk cable acquisitions game include both new entrants bidding for a piece of cable business and established multiple cable system operators seeking to increase and consolidate their holdings. For example, Tele-Communications Inc., America's largest multiple system operator, has embarked on an aggressive acquisitions campaign and now controls roughly five million of the nation's estimated 44 million cable subscribers.

The new entrants include Jack Kent Cooke, owner of the Washington Redskins football team and founder of what eventually became Group W Cable. Mr. Cooke entered the cable business in January when he bought McCaw Communications cable systems for \$1,750 per subscriber, among

the top prices paid for cable properties at that time.

In June, he purchased systems from First Carolina Communications serving approximately 167,000 subscribers. Mr. Cooke's cable operating company, Cooke Media, has rapidly become one of the nation's larger multiple system operators.

Some experts have estimated that the cable industry's aggregate cash flow for 1987 could reach \$6 billion. Paine Webber, meanwhile, has predicted that operators' cash flow will increase by 12 percent annually through 1991.

Increased revenue can be particularly beneficial to industries such as cable, which have a high degree of fixed costs due to the

The industry's aggregate cash flow for 1987 could reach \$6 billion.

largely completed construction of physical plant.

"The incremental profit margin is very, very high," Mr. MacDonald explained. "For every new dollar of revenue, 75 cents can be profit."

Greater cash flow has been fueled primarily by the widespread rate increases made possible when Congress deregulated the cable industry in late 1984. Rate deregulation took effect on Dec. 31, 1986, and the Cable Television Administration and Marketing Society (CTAM) has found that, on average, the price of basic cable service has increased about 21 percent.

According to Paine Webber's Mr. Wallach, most operators raised basic fees by 10 percent to 12 percent during the first quarter of 1987. Cable industry "hawks," he noted, raised their rates by 20 percent or more. Beyond 1987, Mr. Wallach predicted that operators as a whole would raise their rates by one dollar, or about 8 percent per year.

Thus far, according to analysts and industry officials, the rate hikes have generated little subscriber fallout. "This product has yet to reach any resistance from consumers because of price," Mr. MacDonald observed.

Indeed, for many cable companies, the first three months of deregulation saw significant increases in the number of cable

Who's Who in Cable Acquisitions

Buyer	Deals	Subscribers	Value
Tele-Communications Inc.	6	793,000	\$1.25 bil.
Jack Kent Cooke	2	589,000	\$1.04 bil.
Cablevision Systems	7	278,000	\$529 mil.
Adelphia Communications	3	173,000	\$347 mil.
Robert Bass	2	159,000	\$345 mil.
Simmons Communications	1	106,000	\$182 mil.
First Carolina Communications	2	103,000	\$173 mil.
United Artists	1	90,000	\$150 mil.
Falcon Cable	8	78,000	\$131 mil.
Cablevision Industries	3	70,000	\$110 mil.

Source: 1987 Cable TV Investor, estimates of Paul Kagan Associates Inc., Carmel Calif.

subscribers. The president of Tele-Communications Inc., John Malone, head of the nation's largest multiple system operator, has said that the first quarter of this year was his company's best in terms of signing up new customers.

Most industry officials credit the increased subscriber rolls to the marketing practices that accompanied the rate increases. Many cable operators, for example, added a host of new cable networks to the basic tier when the price for that level of service went up. Also, most companies combined increases for basic service with slight decreases in the price subscribers pay for premium networks such as Home Box Office, Showtime and the Disney Channel.

Cable cash flow has been further bolstered by the emergence of alternative revenue sources such as the recent home shopping phenomenon. Many of those home shopping networks are partly owned by cable companies, and virtually all the services offer a commission to system operators for purchases made by their subscribers. Other revenue sources include mail-ordering pay-per-view services and advertising sales, which operators claim have not nearly reached their potential.

However, industry leaders have cautioned that the rising prices of cable systems can not be justified solely by rate increases, and many cable companies have placed a renewed emphasis on increasing the industry's penetration in U.S. television households. Cable's current penetration rate is 50 percent, meaning that roughly half of all U.S. television homes receive cable. But an estimated 43 percent of those homes with cable available refuse to subscribe.

To attract those who could buy cable but will not, operators are banking on improved programming unavailable through other means. The past year has seen cable companies increasingly investing in cable networks, and most popular cable networks now have at least some degree of operator ownership.

Most recently, for example, a group of about 30 multiple system operators, bought

into the financially troubled Turner Broadcasting System, which owns Cable News Network, CNN, Headline News and Superstation WTBS. TBS chairman Ted Turner, now hopes to launch Turner Network Television, a cable-exclusive service that will bid for the rights to major events currently monopolized by broadcast television.

The cable industry's increased support for its programming services has had a visible impact on those services' bottom line. Dennis Leibowitz, media analyst at Donaldson, Lufkin & Jenrette, recently predicted that the basic cable networks will earn \$250 million during the next fiscal year — a figure that nearly matches the \$270 million the three major broadcast networks earned last year.

With upbeat financial prospects for both cable operators and networks, the value of the cable industry's assets is now nearly double that of the broadcasting industry. The total value of the cable industry is roughly \$67.1 billion. Broadcasting magazines recently reported. By contrast, the aggregate value of the entire television broadcasting industry is about \$38 billion, the magazine calculated.

But cable's growing economic clout does not sit well with the industry's traditional competitors: broadcasters and program producers.

These groups, led by their trade associations in Washington, have been lobbying Congress and the Federal Communications Commission to reregulate cable.

Many financial analysts, however, appeared undeterred by the prospect of onerous government action. A Situations, Lehman Brothers analyst, Edward Hatch, for example, recently advised investors that the financial impact of any cable industry regulatory compromise "should be minimal" and "should not detract from cable's attractive media franchise and excellent growth prospects."

JOHN WOLFE is the managing editor of CableVision Magazine.

National Systems Resist Value-Added Networks

By Vivian Lewis

PARIS — Paribas, the leading French investment bank; Credit Agricole, the second largest commercial bank; Sema-Metra, a leading software company, and IBM are not companies that ignore the law.

Yet by creating a new company offering value-added network data transmission services in France in competition with the telephone company's Transpac system, this quartet of multinational banks and companies was in violation of French law. Until the law is changed in France, private value-added networks (VANs) are not allowed to compete with the French telephone company, which, like those in many European countries, is operated by the post office.

The conservative government of Prime Minister Jacques Chirac is committed to deregulating the telephone system in France, but it has already put off its earlier target for submitting new legislation before the end of this year. Given that there will be elections early next year, many observers feel the law will not be passed in time, and the new VAN company will have to be legalized by a special decree.

This confusion is not confined to France. Following the major deregulation of the telephone monopolies in the United States, Japan and Britain, other European countries where the telephone company is run by the post office, such as the Netherlands, Spain and Finland, are also planning changes. Outside Europe, even Israel is working on deregulation.

However, one major country, West Germany, is resisting pressure for change. The West German Bundespost has blocked international standard modems and interconnection devices from working on German telephones. This policy is supported by both the Christian Democrats and the Social Democrats. Only the Free Democratic Party favors changing the system.

The Germans argue that their public telephone system is required by law to operate as a public service whatever the cost. This means that large computerized users of telephone lines have to be charged in order to subsidize, for example, the provision of telephone lines to isolated farms in the Bavarian Alps. In part because of German domestic policies, progress on international deregulation of data transmission services has been blocked.

But West Germany is not the only country where other concerns have blocked the rise of telecommunications VAN competition. There are other reasons, such as the protection of national sovereignty and infant industries, fear of cultural imperialism and powerful multinational corporations, that have led some countries, particularly in Latin America, to resist the pressure for change.

A major obstacle to cross-border data transmission and processing is the protection of privacy and the right of reply. Fear that information that is nobody's business and that cannot be corrected by the subject is being leaked outside the country has led many European countries to enact privacy protection laws that interfere with data flows. The Scandinavian countries, Austria and Luxembourg are particularly active in this respect.

But other countries are anxious to keep data home in order to protect data processing jobs or to maintain their ability to develop hardware and software



for new applications. This is a form of protectionism. Many countries insist that they are protecting their networks by setting up technical barriers to use of foreign equipment that may harm or overload their systems. The proliferation of technical standards interferes with international operations and acts as a kind of nontariff barrier to telecommunications flows.

The United States, having pioneered the idea of telephone services competing with one another, is at the fore of deregulation although it draws limits to that policy.

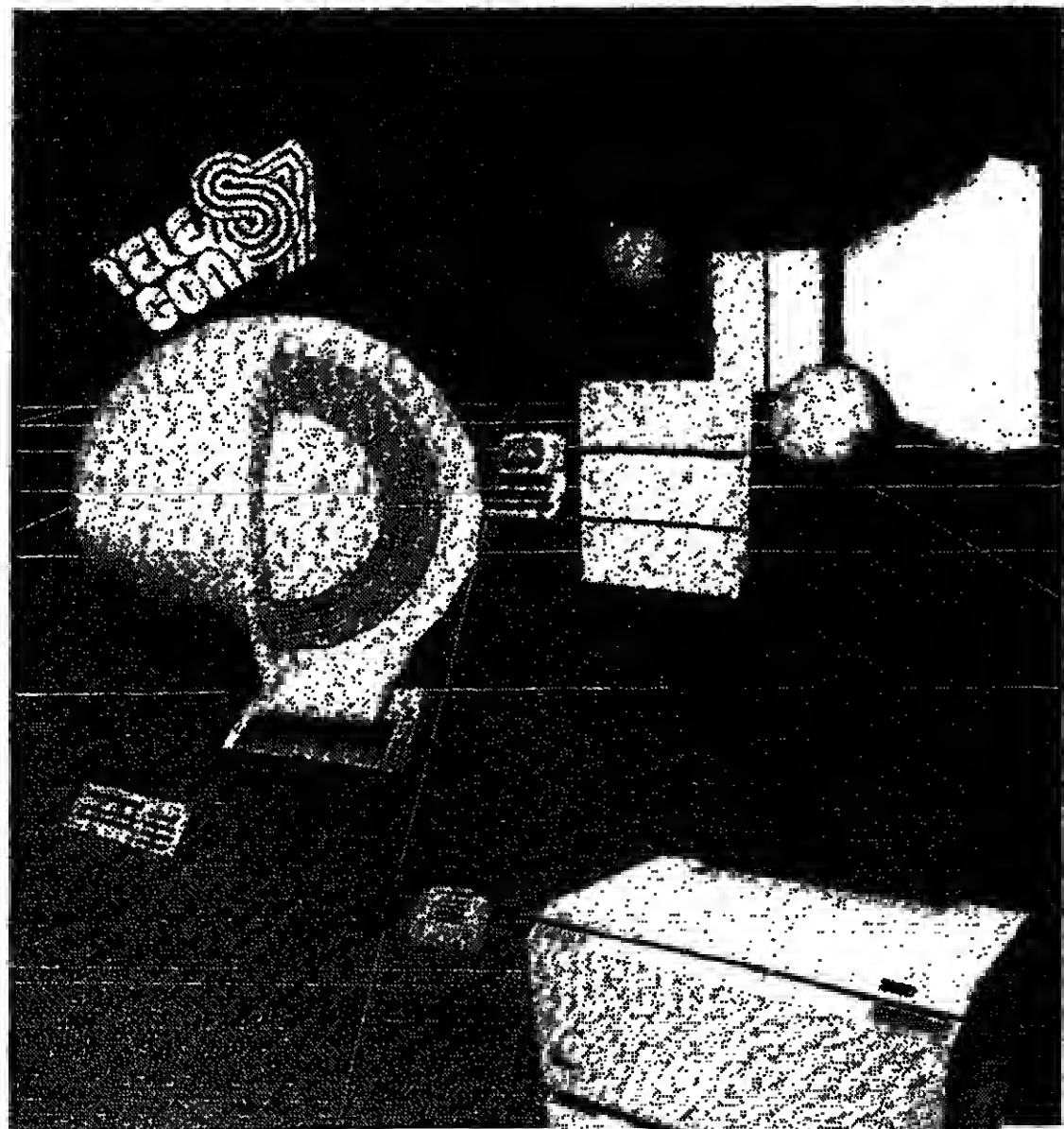
During the Carter administration, to stop Dresser Industries' French subsidiary from making large-diameter oil pipelines to sell to the Soviet Union after the Soviet intervention in Afghanistan, the United States required that the parent Dresser firm cut it off from access to the computer it needed to design them.

One way it is hoped to remove obstacles to the development of an international market is through the talks on freer trade in services that will go on over the next several years in Geneva under the Uruguay Round of the General Agreement on Tariffs and Trade.

But unless there is a shift in West German policy, the European Community, which negotiates as a bloc in trade talks, will not be able to negotiate any major deregulation of international telecommunications and data processing.

VIVIAN LEWIS is a Washington-based financial journalist, formerly reported from Paris.

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PUBLIC EXCHANGES PAYPHONES TRANSMISSION DATA SWITCHING BUSINESS EXCHANGES KEY SYSTEMS TELEPHONES



The French earth observation satellite.

SPOT Adds New Technical Dimension to Spying

By Judson Gooding

PARIS — The art — or science — of espionage has taken on a new and global dimension, thanks to the astonishing capabilities of France's SPOT space photo satellite, the most advanced remote-sensing civilian satellite in the world.

With SPOT — the acronym stands for the French name, *Système Probatoire d'Observation de la Terre* — naval officers from small countries with limited military budgets can get a low-cost fix on the enemy's harbor defenses and fleet disposition; businessmen can study the progress of their competitors' new plants being built in Taiwan; and journalists can dazzle their readers with "forbidden" pictures of the damaged Soviet reactor at Chernobyl, or Pakistan's uranium enrichment plant at Kahuta, which may soon allow that country to produce nuclear weapons.

However, France and the two countries that participated with modest shares, Sweden and Belgium, did not make the \$350 million commitment of resources necessary to create the sophisticated satellite just to satisfy the curiosity of newspaper readers or businessmen or military leaders.

SPOT was created to furnish hitherto unavailable information in science, agriculture, forestry, environmental specialists, urban developers and other such users. The intelligence and espionage ap-

lications are serendipitous, but they certainly help to defray costs.

Now, after a year and a half of operation and more than 6,300 orbits of Earth, SPOT has proven the validity of its design. It outperforms the only other civilian Earth-observing satellite orbited thus far, the U.S. Landsat, which was sent up in 1972.

(The recently announced Soviet high-resolution earth photo offerings are not considered to be from a civilian source, and there are no precise indications yet of just how much the Soviets will be willing to show, or exactly what their service and repeat delivery capabilities may be. The Soviet system uses phon images, which have limited applications compared to SPOT's digitized data images.)

SPOT records images of the Earth spot from 514 miles (834 kilometers) up, using 8-foot (2.4-meter) 551-pound (251-kilogram) telephoto lenses. It can show objects as small as 30 feet long, whereas the Landsat is restricted, by Defense Department regulations, to showing nothing smaller than 100-foot objects.

SPOT's higher resolution power, or acuity, makes its pictures far more informative. (Military satellites, both American and Soviet, fly lower and have much greater resolution powers; they can, for example, pick up car license plate numbers, but their pictures are, of course, not generally available.)

"With its high resolution, SPOT brought remote sensing out of the closet and into the information age," said Mark

Bender, an editor for the American Broadcasting Company in Washington who is chairman of a media task force on remote sensing.

The French satellite introduces a number of advantages in addition to its sharper eye. Unlike Landsat, it can deliver

possible by using directional mirrors, which, controlled from the earth station, permit it to look sideways from orbit rather than straight down. This oblique view can then be shown as is or it can be corrected by computer processing so that it appears to be straight down, and it can be combined with views at other angles to produce pictures in "stereo."

It is this capability for shooting pictures sideways, and having them appear to be directly below that, by vastly widening the area covered in each sweep, allows SPOT to view any given place with twice-a-week or greater frequency.

SPOT was put together by Matra, the space and defense contractor, with the collaboration of 12 major subcontractors, working under the direction of France's space agency, the National Center for Space Research. It is highly complex and sophisticated, with on-board altitude and orbit sensors and controls, computer control of camera programming, a solar power and storage system, and the ability to acquire 24 million information bits per second. It has worked perfectly since being launched by an Ariane rocket from the space station in French Guyana.

Its giant cameras record what it sees, line by line, dot by dot. The light is changed into electrical signals, which are then amplified, digitized and transmitted. When the data are received at the Earth station, they are decoded and constitute a picture.

The images are available for sale in

whoever wants to order them and is willing to pay the price: from \$400 up for black-and-white prints or \$410 for color. Customers can order simply by defining the area they want covered. The variety of uses is wide.

Foresters monitor the growth of newly planted seedlings and the advance of forest fires; farmers and agronomists watch for changes in soil moisture and for the spread of disease in crops; geologists seek out patterns that can indicate mineral or oil deposits under the surface; cartographers keep tabs on changes in urban areas and on the spread of suburbs and the advance of new roads and of deserts; commercial fisheries watch thermal ocean currents that may help locate schools of fish.

France's national space agency is preparing to launch a second, improved SPOT — SPOT-1 will last only 2½ years in orbit — in 1989. It also has SPOT-3s and SPOT-4s in preparation for launch.

Meanwhile, Japan, West Germany and the European Space Agency are working on plans for their own earth photographic satellites. There would seem to be considerable room for competitors in a market that observers predict may total as much as \$4 billion annually by the year 2000.

JUDSON GOODING, the European correspondent for *Omnifocus* magazine, is the author of "The Job Revolution" (Walker & Co., New York).

'SPOT' brought remote sensing out of the closet and into the information age.'

three-dimensional images. It can re-photograph a specified site within 24 days for comparisons, charting the growth of crops or the advance of a forest fire, compared with 16 days for a repeat shot by Landsat. It can deliver images in wave lengths not otherwise available. The three-dimensional effect is made

Cable TV Challengers Waging Uphill Battle to Break Into Market

By John Wolfe

WASHINGTON — While the U.S. cable television industry has prospered over the past year, alternative technologies such as backyard satellite receiving antennas and microwave-delivered "wireless cable" systems have met with little success in their efforts to secure a foothold in the video marketplace.

Proponents of these competing technologies lay much of the blame for their struggles on the cable industry, which they view as having a chokehold on the distribution of popular satellite-delivered programming services. Access to that programming, they maintain, is crucial for the backyard dish industry and wireless cable operators to survive.

Doug Malmgren, for example, is seeking financing to expand a five-channel wireless cable system in Billings, Montana. His fundraising, however, has been hampered by his inability to offer the most popular cable services to Billings homes. Potential investors have been "seriously concerned about my lack of quality programming," Mr. Malmgren said during a recent Wireless Cable Association convention here.

Nearly all of the popular satellite-delivered programming services were created for cable

distribution; and lately, many major cable companies have bought equity interest in most cable networks. Most recently, a consortium of 30 cable operators bought nearly 50 percent of Turner Broadcasting System, owner of the popular Cable News Network and Superstation.

That ownership, cable critics say, has translated into little incentive to deal with potential competitors to traditional cable systems — a development that backyard dish and wireless cable officials consider the chief obstacle in their path to commercial success.

The backyard dish industry, for example, had flourished as recently as two years ago, when 1.5 million home antenna systems had been installed, and industry executives had predicted that 3.5 million homes would be equipped with satellite dishes by the end of 1986.

But cable networks also began to scramble their satellite signals that year, forcing dish owners to purchase a \$400 decoder box and pay monthly subscription fees to view programming they previously had viewed for free. Dish sales plummeted from 750,000 units installed in 1985 to 215,000 installed in 1986, according to the Satellite Broadcasting and Communications Association (SBCA).

Now, as more and more services scramble, the emphasis has shifted to delivering packages

The cable industry is accused of having a chokehold on the distribution of popular programming services delivered by satellite.

of programming direct to home dish owners. Both cable companies and individual programmers have launched competing packages, and those efforts, combined with more readily available decoders, have led to a mild resurgence in the backyard dish business. Monthly dish sales which were as low as 16,000 in June had risen to 28,000 in September, the Satellite Broadcasting and Communications Association said.

Moreover, programmers recently have begun to cooperate more with dish dealers. Many networks, for example, permit dealers to serve also as agents, earning commissions for programming subscriptions.

"Scrambling at first was perceived as a very

negative thing," observed Hal Haley, owner of Davis Antenna and the chairman-elect of the SBCA. Now, he said, "we're starting to realize that it can be a positive thing. We're in the programming business." Mr. Haley predicted that nearly 600,000 dish systems would be installed in 1988.

Satellite industry officials have also identified some technological developments that have helped the backyard dish industry recover. For example, about 60 percent of all new satellite system sales are integrated units including a decoder. Also, new "flat plane" satellite antennas will be introduced in the United States early next year and may be available for residential use by the end of the year. Those

systems, which could sell for under \$1,000, can be mounted on a wall or roof and are ideal for urban residents.

But the backyard dish industry is still at odds with the cable industry over whether independent companies should be allowed to package satellite programming. To date, however, only programmers and cable operators are able to offer packages to dish owners.

Dish industry advocates have claimed that third-party packaging is necessary to bring subscription prices down, and many organizations, ranging from Amway Corp. to the nation's rural electric cooperatives, are seeking rights to distribute scrambled programming. Significantly, their efforts have won the sympathy of key legislators, most notably the presidential candidate Senator Albert Gore Jr., Democrat of Tennessee, who has accused the cable industry of exerting monopoly control over programming.

Senator Gore and other dish advocates have introduced legislation that would require satellite programmers to deal with third-party distributors. Industry observers have predicted that the Senate will pass that measure later this year, but the prospects for a companion bill moving in the House of Representatives are far less certain.

The nascent wireless cable industry has also found a champion: Representative Charles E.

Schumer, Democrat of New York, who has urged the Department of Justice to investigate programmers' alleged refusal to deal with alternative technologies. Addressing wireless cable operators at their recent convention here, Mr. Schumer promised to do "whatever it takes" to inject competition into the cable industry.

Justice Department officials have not responded publicly to his request. The department recently examined cable's scrambling plans, however, and in a House subcommittee that it had not uncovered any antitrust violations.

Wireless cable is the common name given to multipoint multichannel distribution systems (MMDS), which the Federal Communications Commission has authorized in most U.S. cities. Under amended FCC rules, MMDS operators can now strike deals with other local microwave licensees, resulting in nearly 20 channels in some communities available for delivery to homes equipped with small microwave receiving antennas.

To date, there are about a dozen wireless cable systems operating in cities ranging from Cleveland, Milwaukee and Philadelphia to Billings, Montana, and Salina, Kansas. The industry's showcase has been MetroTEN's Cleveland system, which operates in one of the few U.S. cities still not wired for cable.

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Floating-Rate Notes

Table listing floating rate notes with columns: Issuer, Coupon, Maturity, Bid, Ask.

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Table listing Deutsche Marks floating rate notes with columns: Issuer, Coupon, Maturity, Bid, Ask.

Japanese Yen

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Japanese Yen

Table listing Japanese Yen floating rate notes with columns: Issuer, Coupon, Maturity, Bid, Ask.

STOCK BROKERAGE

I am Chief Operating Officer of a New York Stock Exchange member firm living in the U.S. I have capital to invest and I am seeking a partnership/opportunity with a foreign firm.

Pounds Sterling

Table listing Pounds Sterling floating rate notes with columns: Issuer, Coupon, Maturity, Bid, Ask.

Deutsche Marks

Table listing Deutsche Marks floating rate notes with columns: Issuer, Coupon, Maturity, Bid, Ask.

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Japanese Yen

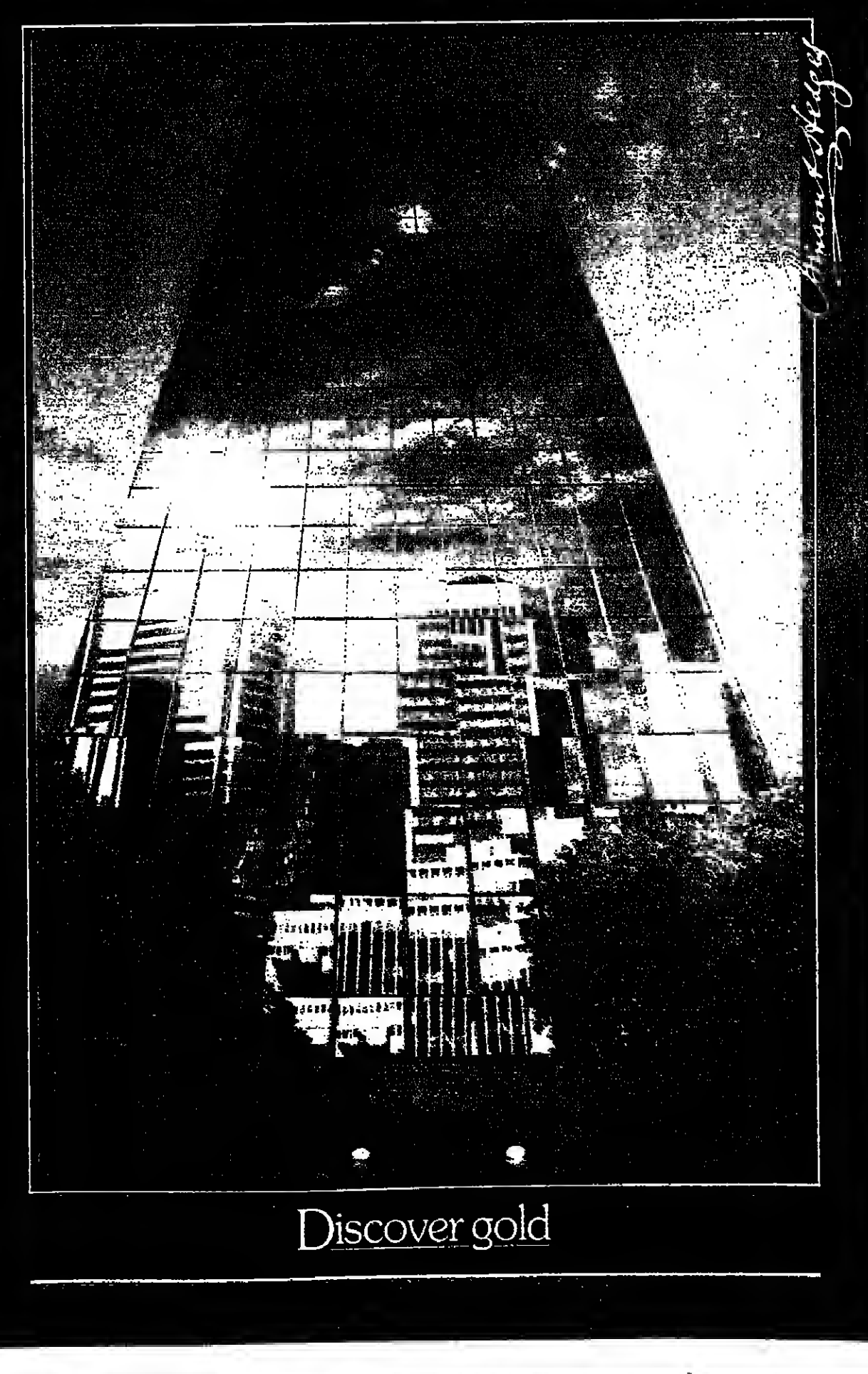
Table listing Japanese Yen floating rate notes with columns: Issuer, Coupon, Maturity, Bid, Ask.

Marietta Awards Contract On Rockets to Hercules. BETHESDA, Maryland — Martin Marietta Corp. said Tuesday that it will award a contract, expected to exceed \$500 million, to Hercules Aerospace Co. for 17 sets of solid rocket motor to power the Titan 4 launch vehicle.

The motor will be manufactured at Hercules' Raschus West facility near Salt Lake City, Utah, Martin Marietta said Tuesday. Hercules' headquarters is in Wilmington, Delaware. The initial Titan 4 launches will use seven-segment motors that can carry a 10,000-pound satellite to a parking orbit. Hercules will make an upgraded three-segment version that can carry 12,500 pounds.

Martin Marietta has an Air Force contract to build and launch 25 Titan 4s — the first in late 1988. The upgraded rocket is expected to be available by late 1990.

W.S. \$400,000,000 National Westminster Finance B.V. (Incorporated in The Netherlands with limited liability) Guaranteed Floating Rate Capital Notes 2005



STOCK BROKERAGE I am Chief Operating Officer of a New York Stock Exchange member firm living in the U.S. I have capital to invest and I am seeking a partnership/opportunity with a foreign firm.

Lemming Syndrome Lemmings are like northern animals that jump off cliffs when they over-run their food supply. Life investors do the same thing when markets get beyond their comprehension — selling Apple because you own it or sell or hold last year of \$18. For complementary coverage of bargains they've been dumping during the year's shakeouts, write, phone or telex.

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Discover gold

WEDNESDAY, OCTOBER 21, 1987

How a Long Market Collapse Could Affect Jobs, Pensions

By Barry James
International Herald Tribune

PARIS — Even those who never owned a share in their lives could be affected as the dramatic decline in stock values ripples through the economy, many analysts say. Although the effect for the moment is more psychological than actual, economists say a long-lasting stock market collapse could eventually have a broad and profound impact on jobs, pensions and savings.

Many people who do not own shares have an indirect stake in stock exchanges through their investments in pension funds and insurance companies. If they don't invest, the companies they work for probably do, which means there will be less money around to provide wage increases or jobs.

The plunge affects even those without direct stock investments.

"In short, the man in the street could find himself on the street," said Bill Martin, an analyst with the brokerage firm Phillips & Drew in London. He said the decline in stock values could be followed by a general "scaling down" of economic activity because it is likely to be followed by a lessening of demand and investment, first in the United States and then in other countries.

"This affects even those who don't have direct investments in stocks," said Henry Kaufman, chief economist of Salomon Brothers in New York. "If you're just an average citizen, you're working somewhere, and the developments in the financial markets today may influence the company you work for. It may result in cutbacks."

"The stock market decline is likely to have a depressing effect on spending and investment, whether by individuals or corporations," said Brendan Brown, an economist with County Natwest in London.

HE SAID the fall in stock values could be followed by declines in other investments that have risen sharply in value, such as real estate or the art market. Both he and Mr. Martin predicted interest rates would come down.

"The rise in both the stock market and house values stemmed from the same thing — the euphoric sense that the economy would continue to be wonderful," said Benjamin E. Friedman, professor of economics at Harvard University. "If the stock market is telling us the bubble has popped, and people are taking a more realistic view of the economy's future, then that same bursting of the bubble could affect the prices of houses and other assets. And that's the level where the average citizen could be affected."

The market's plunge has cut the spending power of investors who planned either to sell stocks soon or to use them as collateral for major purchases, such as a home or automobile.

In France and Britain, the decline in share prices could have political as well as economic ramifications. Millions of people have been attracted into the market for the first time by denationalization plans that made it relatively easy to buy a stake in state-owned companies. Prime Minister Margaret Thatcher of Britain seeks of a "property-owning democracy" and owes her election success in part to a new class of small investors with shares in such companies as British Telecom and British Gas.

France has six million direct shareholders, three times as many when the center-right government began selling state-owned companies a year ago. The man responsible for that policy is Jacques Chirac, the prime minister, who is expected to run in next year's presidential elections.

In contrast, West Germans have tended to steer clear of stocks and other speculative investments. "They are not risk minded," said Peter Pietsch, an economist with the Commerzbank in Frankfurt. "And the fall in share prices is not likely to affect so many people here as in the United States and some other countries."



GLOOMY READING — The front pages of Australian newspapers on Tuesday morning reflected Monday's plunges, then world markets began another day of turmoil.

U.S. Treasuries Surge In Flight From Stocks

Compiled By Our Staff From Dispatches

NEW YORK — Prices of U.S. Treasury securities, especially the shortest-term obligations, continued to soar Tuesday as investors flocked from the stock market into safe-haven investments in chaotic trading, dealers said.

The higher prices for Treasury bills — government paper that matures within one year — pushed their yields sharply lower. Longer-term securities also benefited, with the benchmark 30-year bond climbing 2.75 points from Monday's closing levels. The bond rose 4 points on Monday.

A 1-point change is equal to \$10 for every \$1,000 in face value. Although corporate bonds firmed by 1 to 5 points, prices of so-called junk bonds fell by a similar amount in hectic trading. Dealers said Moody's stock market drop has ignited concerns over the liquidity of many heavily indebted issuers of these below-investment-grade securities.

Wall Street's slide made investors much more cautious, said one analyst. "They are shunning stocks and junk bonds. They'll buy Treasuries or high-quality corporates." Bond traders said they were reassured by affirmation from the Federal Reserve Board chairman, Alan

Greenspan, that the Fed stands ready to provide liquidity to support the economy and the financial system.

"The Fed's saying we will provide liquidity for the economy," said one economist. He added that the central bank was implying that "we're not going to allow bank failures and the sorts of things associated with 1929" the year of the stock market crash that precipitated the Great Depression.

Opening New York trading was frenzied, with the government's 30-year bond briefly surging about 6 points to trade above 98, an unprecedented price swing of 12 points from Monday's low of 85 27/32.

Prices of U.S. Treasury bonds, traded around the globe in a 24-hour market, followed a similar hectic pattern in London. Dealers there said buying pressure was intensifying as equity prices worldwide deteriorated.

Dealers said that pin-pointing opening prices in New York was difficult, as the spread between bids and offers widened to as much as 1 point, sixteen times greater than usual.

"It is absolute chaos," a government bond salesman said.

In fact, some bond-trading firms said they had stopped making normal, two-way markets because of the record price swing.

Instead, the firms, in an attempt to calm the market while still providing liquidity, were executing orders only on a negotiated basis with their customers, dealers said.

Despite the Dow Jones industrial average's snap back in early trading from Monday's 508-point plunge, prices of bills rose so quickly in New York by midday that the three-month bill yield dropped 194 basis points, or hundredths of a percentage point, to 4.90 percent from 6.84 percent at Monday's bill auction.

With long-term bond prices also gaining from the exodus of capital from the equity markets, the Fed's

See BONDS, Page 13

Small NYSE Firm Closes, Others Are Called Sound

Compiled By Our Staff From Dispatches

NEW YORK — H.B. Shaine & Co., a small Midwest brokerage firm, said Tuesday that it was financially unable to continue trading on the New York Stock Exchange, while rumors swirled here and in London that some major houses were near bankruptcy because of losses suffered from Monday's historic decline.

But the NYSE vice president, Richard Torrezano, said that no major member of the exchange had reported financial difficulties.

Meanwhile, New York commercial banks began restricting their foreign-exchange dealings with U.S. investment firms Tuesday because of concern about the creditworthiness of the latter, inter-bank currency dealers said.

Hugh Makens, an attorney for Shaine, blamed the firm's closing on Monday's 508.33-point loss in the Dow Jones industrial average. He did not disclose how much money Shaine had lost, except to say that it was substantial.

Shaine was a full-service NYSE broker with offices in Grand Rapids, Michigan, and Aurora, Illinois. Mr. Torrezano said that Shaine had been the only NYSE firm to encounter

difficulty since Monday, and added that "our systems are doing extremely well."

Spokesmen for four major securities houses — E.F. Hutton & Co., Shearson Lehman Brothers Inc., Salomon Brothers Inc. and Goldman, Sachs & Co. — strongly denied rumors that the massive market decline had driven their companies near bankruptcy. They were reacting to reports that circulated in the United States and in foreign markets as far away as Sydney.

Charles Brophy, head of public relations for Salomon Brothers, called the idea "ridiculous." "I think these rumors are way out of hand," he said, adding that the brokerage still has more than \$3 billion of capital.

A E.F. Hutton public relations officer, Bob Sharkey, called the rumors "absolutely false."

In late trading, Hutton's stock was down \$9.125 a share, to \$14, on the NYSE on volume of about 1.2 million shares. Its average daily volume is about 238,000 shares. Hutton released a statement saying it "knew no reason" why its stock had fallen significantly and its chief financial officer, Edward J. Hill, said Hutton is facing "no problems" with liquidity.

In London, John Hewitt, the managing director of Scrimgeour Vickers, a British brokerage acquired by Citicorp, said that while the firm had a trading loss "of £2 million [\$3.3 million] Monday and we expect a loss of 3 million today," the losses were easily sustainable.

Other firms, while acknowledging that losses were inevitable as brokerages were forced to hold shares unloaded by panicked investors, insisted that they were in no danger of a liquidity crisis or insolvency.

"There's going to be some pretty severe pain," said Terry Smith.

John Aitken, a banking analyst with the brokerage County Securities, said: "Basically, if you want to be a big player in the London market, the argument is that you would have to be a market-maker — one who would be willing to buy stocks from a client and hold on to your own risk."

"But when there's a 300-400 point drop in the market, like the 20 percent drop we've seen here in the past two days, that package is going to be worth a lot less at the end of the day." (AP, Reuters, IHT)

U.S. Housing Starts Climb 4.4%, Most in 9 Months

The Associated Press

WASHINGTON — The rate at which builders broke ground for new homes jumped 4.4 percent in September, the biggest gain in nine months, the government said Tuesday.

The Commerce Department also said that housing starts were unchanged in August from July, instead of being down 1.5 percent as previously reported.

Construction on new homes and apartments was begun at a seasonally adjusted annual rate of 1.67 million units in September and at a revised rate of 1.6 million in August, the department said.

The September increase was the sharpest gain since a 10.8 percent advance to December. It left analysts somewhat surprised, since many had been forecasting further declines in construction, after mortgage rates rose sharply last month.

The nationwide average for fixed-rate mortgages hit 11.58 percent last week, its highest level in almost two years.

After reaching a nine-year low of 9 percent in March, mortgage rates have been rising, dampening home sales and construction.

For the first nine months of this year, housing construction was down 10.2 percent from the like period in 1986.

Building permits, considered a good sign of future activity, fell 0.6 percent in September, after an increase of 1 percent in August.

Currency Rates

Base Rates	Oct. 20	Oct. 19	% Chg.
London	1.61	1.61	0.0
Paris	6.55	6.55	0.0
Frankfurt	1.36	1.36	0.0
Geneva	1.36	1.36	0.0
Madrid	166.48	166.48	0.0
Amsterdam	2.36	2.36	0.0
Brussels	36.36	36.36	0.0
Stockholm	4.76	4.76	0.0
Oslo	4.76	4.76	0.0
Copenhagen	13.66	13.66	0.0
Helsinki	5.94	5.94	0.0
Tokyo	163.64	163.64	0.0
Sydney	1.08	1.08	0.0
Hong Kong	7.80	7.80	0.0
Manila	42.08	42.08	0.0
Seoul	116.60	116.60	0.0
Beijing	4.28	4.28	0.0
Guangzhou	2.36	2.36	0.0
Hanoi	2.36	2.36	0.0
Yokohama	164.00	164.00	0.0
Osaka	164.00	164.00	0.0
Kobe	164.00	164.00	0.0
Singapore	1.67	1.67	0.0
Bangkok	1.67	1.67	0.0
Colombo	1.67	1.67	0.0
Delhi	1.67	1.67	0.0
Calcutta	1.67	1.67	0.0
Rangoon	1.67	1.67	0.0
Manila	1.67	1.67	0.0
London	1.67	1.67	0.0
Paris	1.67	1.67	0.0
Frankfurt	1.67	1.67	0.0
Geneva	1.67	1.67	0.0
Madrid	1.67	1.67	0.0
Amsterdam	1.67	1.67	0.0
Brussels	1.67	1.67	0.0
Stockholm	1.67	1.67	0.0
Oslo	1.67	1.67	0.0
Copenhagen	1.67	1.67	0.0
Helsinki	1.67	1.67	0.0
Tokyo	1.67	1.67	0.0
Sydney	1.67	1.67	0.0
Hong Kong	1.67	1.67	0.0
Manila	1.67	1.67	0.0
Beijing	1.67	1.67	0.0
Guangzhou	1.67	1.67	0.0
Hanoi	1.67	1.67	0.0
Yokohama	1.67	1.67	0.0
Osaka	1.67	1.67	0.0
Kobe	1.67	1.67	0.0
Singapore	1.67	1.67	0.0
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Delhi	1.67	1.67	0.0
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Manila	1.67	1.67	0.0
London	1.67	1.67	0.0
Paris	1.67	1.67	0.0
Frankfurt	1.67	1.67	0.0
Geneva	1.67	1.67	0.0
Madrid	1.67	1.67	0.0
Amsterdam	1.67	1.67	0.0
Brussels	1.67	1.67	0.0
Stockholm	1.67	1.67	0.0
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Copenhagen	1.67	1.67	0.0
Helsinki	1.67	1.67	0.0
Tokyo	1.67	1.67	0.0
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Hong Kong	1.67	1.67	0.0
Manila	1.67	1.67	0.0
Beijing	1.67	1.67	0.0
Guangzhou	1.67	1.67	0.0
Hanoi	1.67	1.67	0.0
Yokohama	1.67	1.67	0.0
Osaka	1.67	1.67	0.0
Kobe	1.67	1.67	0.0
Singapore	1.67	1.67	0.0
Bangkok	1.67	1.67	0.0
Colombo	1.67	1.67	0.0
Delhi	1.67	1.67	0.0
Calcutta	1.67	1.67	0.0
Rangoon	1.67	1.67	0.0
Manila	1.67	1.67	0.0

Interest Rates

Interest Rates	Oct. 20	Oct. 19	% Chg.
3-month T-bill	4.90	4.90	0.0
6-month T-bill	5.00	5.00	0.0
1-year T-bill	5.10	5.10	0.0
2-year T-bill	5.20	5.20	0.0
3-year T-bill	5.30	5.30	0.0
5-year T-bill	5.40	5.40	0.0
10-year T-bill	5.50	5.50	0.0
30-year T-bill	5.60	5.60	0.0
1-month CD	5.70	5.70	0.0
3-month CD	5.80	5.80	0.0
6-month CD	5.90	5.90	0.0
1-year CD	6.00	6.00	0.0
2-year CD	6.10	6.10	0.0
3-year CD	6.20	6.20	0.0
5-year CD	6.30	6.30	0.0
10-year CD	6.40	6.40	0.0
30-year CD	6.50	6.50	0.0
1-month bank	6.60	6.60	0.0
3-month bank	6.70	6.70	0.0
6-month bank	6.80	6.80	0.0
1-year bank	6.90	6.90	0.0
2-year bank	7.00	7.00	0.0
3-year bank	7.10	7.10	0.0
5-year bank	7.20	7.20	0.0
10-year bank	7.30	7.30	0.0
30-year bank	7.40	7.40	0.0
1-month swap	7.50	7.50	0.0
3-month swap	7.60	7.60	0.0
6-month swap	7.70	7.70	0.0
1-year swap	7.80	7.80	0.0
2-year swap	7.90	7.90	0.0
3-year swap	8.00	8.00	0.0
5-year swap	8.10	8.10	0.0
10-year swap	8.20	8.20	0.0
30-year swap	8.30	8.30	0.0
1-month swap	8.40	8.40	0.0
3-month swap	8.50	8.50	0.0
6-month swap	8.60	8.60	0.0
1-year swap	8.70	8.70	0.0
2-year swap	8.80	8.80	0.0
3-year swap	8.90	8.90	0.0
5-year swap	9.00	9.00	0.0
10-year swap	9.10	9.10	0.0
30-year swap	9.20	9.20	0.0

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FIGURES AS AT DECEMBER 31, 1986:
TOTAL ASSETS:
US \$ 168 billion
SHAREHOLDERS' EQUITY:
US \$ 1.6 billion

Asian Dollar Deposits

Asian Dollar Deposits	Oct. 20	Oct. 19	% Chg.
1 month	7.00	7.00	0.0
3 months	7.10	7.10	0.0
6 months	7.20	7.20	0.0
1			

Corporate Buybacks Give Market a Lift

Compiled by Our Staff From Dispatches
NEW YORK — U.S. corporations stepped into the market Tuesday to repurchase their own shares, helping to restore badly eroded investor confidence on Wall Street, analysts said.

"These guys know their companies, know precisely where they're going, and think these prices are ridiculous," said David Bartlett, research director at Ladenburg, Thalmann & Co. Meanwhile, Carl C. Icahn, chairman of Trans World Airlines Inc., said he had withdrawn his proposal to acquire the TWA shares he does not already own. He cited the deterioration in market conditions.

Under the proposal, Mr. Icahn would have paid \$20 in cash and \$25 worth of 12 percent subordinated debentures, due in 2007, for each TWA share. The total transaction was valued at about \$1.35 billion.

TWA's board approved the offer on Friday, after Mr. Icahn had increased his offer from \$20 in cash and \$20 in bonds.

Although analysts differed on whether corporate demand for their own shares at bargain prices actually boosted the market on Tuesday, they said the announcements provided a big psychological lift.

"On my list of positive market factors, the buybacks are No. 1," said Larry Wachtel, market strategist at Prudential Bache Securities.

The Dow Jones industrial average closed about 102 points higher Tuesday after Monday's 508-point plunge, and some analysts cited the buybacks as part of the reason.

"It's very positive," Mr. Bartlett said.

Analysts said the buybacks also suggest that corporations have more confidence in the U.S.

economy than investors who sold in the record stock market days of Monday.

On Tuesday, the Securities and Exchange Commission made a one-day exception to its rule of prohibiting companies from repurchasing their stock in the last half hour of trading. Companies were allowed to continue repurchasing until the close of the market.

The rule prohibiting repurchases in the final half hour of trading helps to prevent rapid stock price rises at the end of the day, the spokesman said. The SEC stressed that the exception was made for Tuesday only.

While some of the companies are capitalizing on what they deem an investment bargain,

others may be trying to keep their suddenly cheap shares out of the hands of corporate raiders.

GAF Corp., the object of a \$2.2 billion buyout proposal from a group led by its chairman, Samuel J. Heyman, said it would buy back up to 21 percent of its common shares.

The announcement followed a statement on Monday by GAF, which makes chemicals and building materials. That Mr. Heyman's group was reconsidering and might revise its buyout proposal in light of the recent jump in interest rates and turmoil in the financial markets.

(Reuters, AP)

The buyout offer was for \$66.50 in cash and securities for each of GAF's 33.5 million common shares outstanding. GAF also said the management group was considering a revised offer.

GAF's buyback, based on a late Monday price of \$35 per share, could total about \$245 million. GAF shares fell about \$17.50 on Monday.

Ford Motor Co.'s chairman, Donald Peterson, said the company would accelerate its repurchase program in light of the price drop.

"We bought stock yesterday, more than we have recently, and will probably buy some more today," Mr. Peterson said Tuesday. He would not specify the number of its shares Ford bought Monday.

He said that the company would continue to repurchase stock under its previously announced plan to buyback 45 million shares and that it could finish the buyback by the end of this year.

Among other companies announcing buybacks were: USX Corp., up to 30 million shares; BellSouth Corp., up to 6 million shares; Citicorp, up to 5 million shares; Honeywell Inc., 5 million shares; Allegis Corp., 5 million; RJR Nabisco Inc., 5 million; Merrill Lynch & Co., 5 million; Burlington Northern Inc., 5 million; Shearson Lehman Brothers, 3 million; McGraw-Hill Co., 2.5 million; and Centel Corp., 1 million.

David Roderick, chairman of USX, said the repurchase "reflects the very strong financial position of the corporation and enables us to take advantage of current market conditions."

U.S. Futures

Via The Associated Press Oct. 20

Season High Season Low Open High Low Close Chg.

Table with 7 columns: Season High, Season Low, Open, High, Low, Close, Chg. Rows include WHEAT (CBT), SOYBEANS (CBT), SOYBEAN MEAL (CBT), SOYBEAN OIL (CBT), and SOYBEAN OIL (NYMEX).

Grains

WHEAT (CBT) 2000 bushels per bushel

Table with 7 columns: Season High, Season Low, Open, High, Low, Close, Chg. Rows include Dec 1987, Mar 1988, May 1988, Jul 1988, Sep 1988, Nov 1988, Jan 1989, Mar 1989, May 1989, Jul 1989, Sep 1989, Nov 1989, Jan 1990, Mar 1990, May 1990, Jul 1990, Sep 1990, Nov 1990, Jan 1991, Mar 1991, May 1991, Jul 1991, Sep 1991, Nov 1991, Jan 1992, Mar 1992, May 1992, Jul 1992, Sep 1992, Nov 1992, Jan 1993, Mar 1993, May 1993, Jul 1993, Sep 1993, Nov 1993, Jan 1994, Mar 1994, May 1994, Jul 1994, Sep 1994, Nov 1994, Jan 1995, Mar 1995, May 1995, Jul 1995, Sep 1995, Nov 1995, Jan 1996, Mar 1996, May 1996, Jul 1996, Sep 1996, Nov 1996, Jan 1997, Mar 1997, May 1997, Jul 1997, Sep 1997, Nov 1997, Jan 1998, Mar 1998, May 1998, Jul 1998, Sep 1998, Nov 1998, Jan 1999, Mar 1999, May 1999, Jul 1999, Sep 1999, Nov 1999, Jan 2000, Mar 2000, May 2000, Jul 2000, Sep 2000, Nov 2000, Jan 2001, Mar 2001, May 2001, Jul 2001, Sep 2001, Nov 2001, Jan 2002, Mar 2002, May 2002, Jul 2002, Sep 2002, Nov 2002, Jan 2003, Mar 2003, May 2003, Jul 2003, Sep 2003, Nov 2003, Jan 2004, Mar 2004, May 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MARKETS IN TURMOIL: Bond prices and the dollar show gains

Dollar Sharply Higher in New York

NEW YORK — The dollar closed sharply higher in New York Tuesday, continuing an overnight rally started by comments from U.S. and West German monetary officials that recent differences had not weakened an agreement on exchange rates.

London Dollar Rates

Table with columns: Currency, Bid, Ask, and Source. Includes Deutsche mark, Japanese yen, Swiss franc, and French franc.

At one point the dollar was more than 4 pence higher, soaring almost a penny in half an hour of hectic trading as U.S. bonds rallied and several leading U.S. banks lowered their interest rates.

The dollar was also higher against the British pound, which closed at \$1.6545, against \$1.6805 on Monday.

Over the weekend, Mr. Baker had criticized West Germany for

predict where the currency might move next.

"It's very difficult to say what such big swings might do to sentiment," he said.

Another said, "Where it goes from here, I haven't a clue. Anything can happen, though I tend to think it will go lower."

The signatories to the accord "are going to have to face facts and adjust their exchange rate targets," he said, referring to the U.S. trade deficit, which has stayed stubbornly large despite the currency measures intended to help redress imbalances.

Earlier in Europe, the dollar was fixed in Frankfurt at 1.7918 DM, up from 1.7740 on Monday, and in Paris at 6.0140 French francs, up from 5.9395.

The dollar closed in Zurich at 1.5020 Swiss francs, up from 1.4760.

Overnight in Tokyo, the dollar closed at 143.05 yen, up from 141.00 on Monday. (UPI, Reuters)

Gold Lower in Response To Stock, Dollar Rebounds

LONDON — Gold prices slumped Tuesday in response to a weak U.S. bullion market and a rebound in U.S. stock prices and in the dollar, dealers said.

Republic International Bank in New York closed cash gold at \$464.25 an ounce, down sharply from its Monday close of \$482. New York's Commodity Exchange settled the spot contract at \$463.20, down \$18.50 from the previous \$481.70.

Gold bullion ended at \$461.50 an ounce in London, down \$21.25 from \$482.75 at Monday's close, having fallen during the afternoon session. The U.S. bullion market sagged during early afternoon dealings and pushed gold down to \$464.30 at the afternoon fixing session from the morning settlement of \$481.60.

Comex floor traders said that the drop in gold exceeded expectation. They said prices had been expected to be only \$2 to \$3 lower, based on overnight markets. The dollar's renewed strength prompted foreign traders to sell gold in New York.

Bill Byers of Bear Stearns said that the free-fall in equities on Monday weakened the margin position of many stock traders who rushed to sell assets to sustain their margin accounts.

Eric Dunlavy of Balfour Beatty International said traders "tried to take a bearing on the stock market trend to decide if there was still a need to find a safe harbor in this financial storm."

BONDS: Nervous Investors Rush Into U.S. Treasuries

(Continued from first finance page) percent 30-year Treasury bond advanced by 2/32-3/32 points to close at 93 26/32.

The long bond yield fell to 9.50 percent from Monday's finish at 9.80 percent and 10.42 percent on Monday morning. Its yield soared into double digits last week after the report of a larger-than-expected \$15.68 billion U.S. trade deficit for August raised fears of a sharp decline in the dollar.

The dollar has strengthened against foreign currencies, buoyed by Monday's reaffirmation of the Louvre accord on currency stabil-

ity by U.S. and West German officials. Their comments seemed to lessen the likelihood that the United States would allow the dollar to decline in protest at recent rises in West German money market rates.

With long-term bond prices also gaining from the exodus of capital from the equity markets, the 8 1/2 percent 30-year Treasury bond advanced by 3/32 points to 94 22/32.

Another move that helped calm markets, the Bundesbank began to buy back the rate rise on Monday by injecting liquidity into the domestic market.

Dealers said bond investors

U.S. Officials Move to Smooth Roiled Markets

The Associated Press

WASHINGTON — President Ronald Reagan held an extraordinary meeting late Tuesday with the Federal Reserve Board chairman, Alan Greenspan, and Treasury Secretary James A. Baker 3d to discuss the chaos in world stock markets.

Mr. Baker rushed back from meetings in Europe to a closer watch on the situation and Mr. Greenspan issued a statement reassuring the nation's banks that the Fed would not move to tighten credit.

Analysis suggested that the government had limited options for dealing with the crisis.

As financial leaders of industrial

nations conferred by telephone, analysts suggested that a statement reaffirming a commitment to hold the dollar at current levels in an effort to quiet tumultuous international markets might be forthcoming by day's end.

Meanwhile, a senior White House economic adviser predicted in an internal forecast that the nation might face a recession as early as next spring barring a dramatic reversal of the market plunge, according to an administration official.

The new forecast reversed an earlier projection of continued growth in the economy at least through the end of President Reagan's term in early 1989, said the official, who spoke only on the condition of anonymity.

The new projection was based on a contention that the damage done in the economy from Monday's stock market crash might be too deep to correct, the source said.

Earlier Tuesday, Mr. Greenspan said the Federal Reserve would make easy-term emergency loans available to banks to preserve the "liquidity" of the financial system.

Analysts said the Fed action was a means of assuring banks that the Fed would make loans available with few strings attached to help boost bank reserves in case of any emergencies.

SLIDE: Stock Fall Seen Adding to Risk of U.S. Recession

(Continued from Page 1)

Columbia University, said that corporate planners may decide to delay capital spending projects.

"Businesses make decisions every day and they may already have decided to postpone investing in new plant facilities," he said.

Allen Sinai, chief economist at Shearson Lehman Brothers, said that he expected the market losses on Wall Street on Monday would translate into a \$55 billion drop in consumer spending next year.

This would reduce the already modest 3 percent economic growth anticipated next year by 1 or 2 percentage points, he said.

"We're also seeing money from the sidelines stepping up now, getting out of cash because they feel the market's healthier."

In the junk bond market, prices of many issues slumped by 2 to 4 points. (Reuters, A P)

"I raises the odds on a recession," Mr. Sinai said. "There's no doubt that the risk is much higher now than it was last week, though a recession was likely in 1989, but the concern now is about 1988."

Barry Bosworth, an economist at the Brookings Institution, a private research group in Washington, said he believed the impact of the stock market fall would be less severe.

He said it would trim growth prospects next year by a half percentage point, which he described as a "marginal."

In June, the administration estimated that the economy would grow 2.6 percent this year, adjusted for inflation, and 3.3 percent next year. New estimates will be given in the president's economic report in Congress in January.

Spokesmen at the Council of Economic Advisers and the Treasury Department had no comment

on how the stock market's plunge might affect growth estimates.

Said, the risk of a recession has replaced, at least temporarily, concern about inflation as a major theme in the stock market.

"Inflation psychology has flipped," said Beth Reitner, a vice president at Dean Witter Reynolds in New York.

She said that was one reason that government bond markets have surged as stocks have spiraled.

Moreover, economists and investment strategists said they do not see any easy way to overcome these recessionary fears.

"There's really two elements that will restore confidence," said Mr. Horowitz.

"One would show Washington doing something about the budget deficit," he said. "The other would show that the major economies can work together to solve their problems."

Tuesday's OTC Prices. NASDAQ prices as of 4 p.m. New York time. Via The Associated Press.

Table with columns: 12 Month High, Low, Stock, Div. Yld., P/E, High, Low, 4 P.M. Close, Net Chg. Includes stocks like AAW, ADC, ADI, etc.

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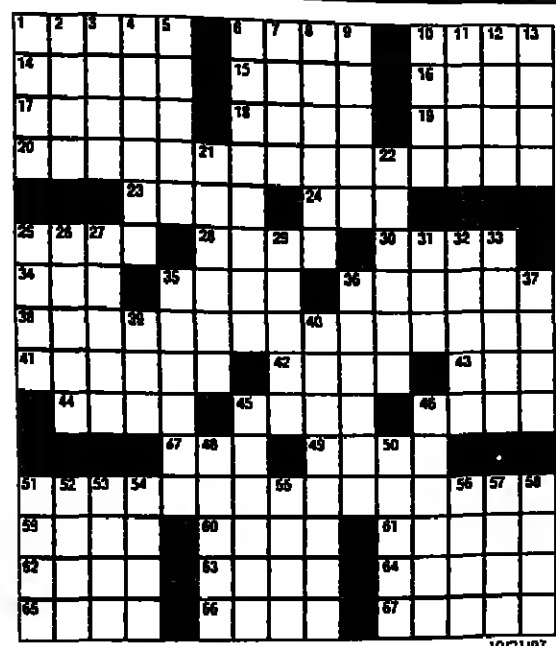
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Tuesday's AMEX 3pm.

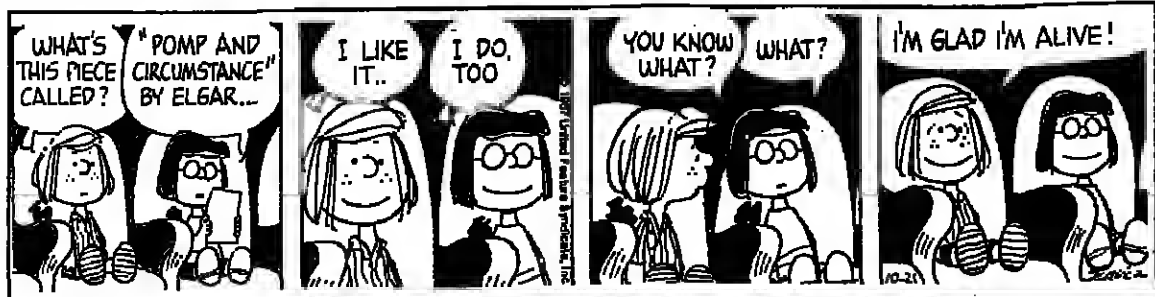
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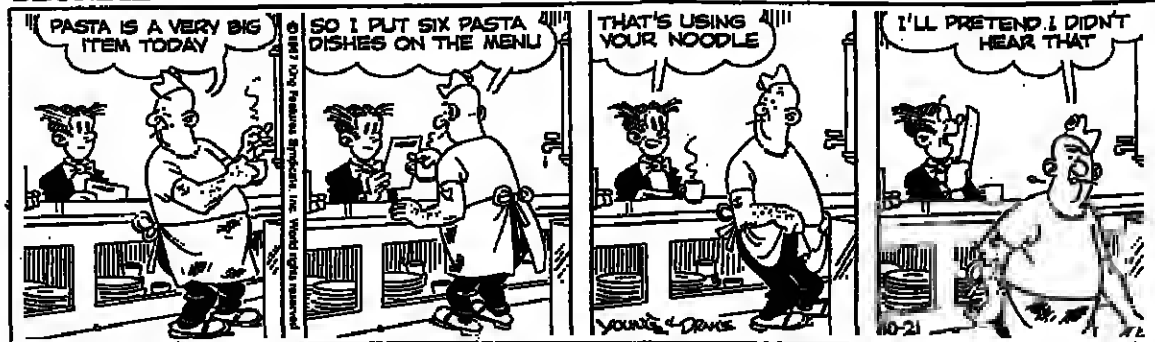
ACROSS
1 Damp
6 Bravura
10 Third man
14 Goose genus
15 Division word
16 Doll's word
17 Pell
18 Nova, e.g.
19 Writer
20 Sagnold
21 "Let the prisoner come down," said Tom
23 German river
24 100-yr. period
25 Vidal novel
28 Plexus
30 Spare, e.g.
34 Rosary bead
35 Soser Max
36 Prepares steak
38 "I'm wearing sneakers," said Tom
41 Skater Zayak
42 Kiss
43 German
44 Ampersands
45 Saucy
46 Cut, old style
47 Sculler
49 Unruly child

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PEANUTS



BLONDIE



BEEBLE BAILEY



ANDY CAPP



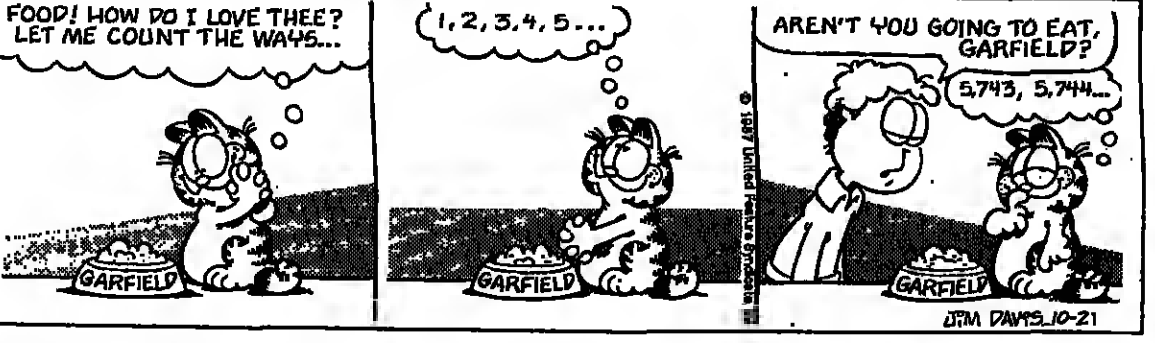
WIZARD OF ID



REX MORGAN



GARFIELD



DENNIS THE MENACE



GOSH, MR. WILSON... WHAT ELSE IS A WATER PISTOL GOOD FOR?

JUMBLE

A word puzzle section titled 'JUMBLE' with instructions and a grid of letters.

WEATHER

A table showing weather forecasts for various regions including Europe, Asia, North America, Middle East, and Oceania.

World Stock Markets

Via Agence France Presse Closing prices in local currencies, Oct. 20.

A large table of stock market data from various international exchanges, including Amsterdam, Frankfurt, London, Madrid, Milan, Paris, Rome, and Tokyo.

FOREIGN EXCHANGE

A table of foreign exchange rates for various currencies, including the Deutsche Mark, Swiss Franc, and Japanese Yen.

BOOKS

THE WIDOWS OF RUSSIA:

And Other Writings
By Carl R. Proffer. 159 pages. \$25. Ardis Publishers, 2901 Heatherway, Ann Arbor, Mich. 48104.

Reviewed by Nina Berberova

This fascinating book gives us much more than its slightly gloomy title promises. The 'widows of Russia' occupy two-thirds of the volume, and not every widow seems to have had an engrossing or unusual life. But three of them are unforgettable.

In the last years of her life she still was a lively, highly intelligent, resilient, whimsical old lady ('a mean old thing' in her own words) who used 'dirty' words, was sometimes rude, and struggled to remain independent.

Two other women did not have the same tragic experience as the widow of Mandelstam. One was the widow of the Soviet writer V. Ivanov (1895-1963). He was a prolific writer mainly writing about the civil war (1918-1922) in Siberia ('Armored Train 14-69' by Stalin's standards a classic) who nevertheless at one time ran into trouble with the authorities.

His widow, Tamara, a former actress, had, as we now know, an affair with Isaac Babel (1894-1941), who died in a camp and has since been rehabilitated.

The third widow was the thrice married Lily Brih. Her first husband, born in 1888, was a scholar, a 'formalist' of the modern school, one of the prominent members of the Russian 'new criticism' (1915-1930).

He was a member of the group of Soviet generalists shot by Stalin's henchmen in the late '30s. The third was a scholar of the Russian avant-garde or, to put it more accurately, of the work of Mayakovsky (who committed suicide in 1930).

But really it was Mayakovsky who had been Lily's 'husband' from 1915 to 1930. The memoirs that Proffer had the chance to see in

Lily's 'salon' (where he was given caviar and a special 'export vodka') were stunning. Lily, Tamara and Nadezhda were quite open and discussed their affairs without any fear of 'scandal.' They were generous, not in the details: living in their own century, not in the previous one. This might bring us to the conclusion that some of the Russian women born after 1890 (which means growing up before 1914) were already 'liberated' whereas the majority of those of the generation of Anna Akhmatova (born in 1888) still cling to the old Victorian standards.

Nina Berberova, professor emerita of Russian at Princeton University, wrote this review for the Washington Post.

BEST SELLERS

The New York Times

This list is based on reports from more than 2,000 bookstores throughout the United States. Weeks on list are not necessarily consecutive.

A table listing best-selling books in Fiction and Nonfiction, including titles like 'Presumed Innocent' and 'The Firm'.

BRIDGE

By Alan Truscott

ONE of the classics of the game 'Right Through the Pack' was written four decades ago by Robert Darvas and Norman de Vere Hart. Each card had an unusual story to tell about an event at the bridge table.

The defectors had led exactly the wrong number of spades. They could have saved the trick if they had led none, and developed a club trick, or a ruff in the dummy before South needed that entry.

The post-mortem also revealed that East-West could always make 10 tricks in spades, and therefore would have done better to persevere to five spades or even six spades. After an opening trump lead, aiming to prevent the diamond

TO OUR READERS

Zurich closing stock prices were not available Tuesday due to delays related to the heavy trading.

MARKET CLOSED

The stock exchange in Hong Kong remained closed Tuesday because of market developments and is expected to reopen next week.

N.S.: not quoted; N.A.: not available; ex-dividend.

SCIENCE

IN THE IHT EVERY THURSDAY. A FULL PAGE ON RECENT DISCOVERIES IN SCIENCE AND MEDICINE



Steve Lombardo of the M...

Two English After the Be...

LONDON — If you give up...

SPORTS

French Rugby Tea

PARIS (AP) — The French...

For the Record

Obed Amr lacked two field goals...

INTERNATIONAL

ESCOR

USA & WORLDWIDE...

LONDON

Chilton Street Agency...

LONDON

Chilton Street Agency...

ARISTOCATS

London Escort Service...

SPORTS

Back at Home, Cardinals May Thicken the World Series Plot

By Thomas Boswell
Washington Post Service
ST. LOUIS — Get ready for the World Series plot to thicken. O.K., O.K., make that root for the plot to thicken.

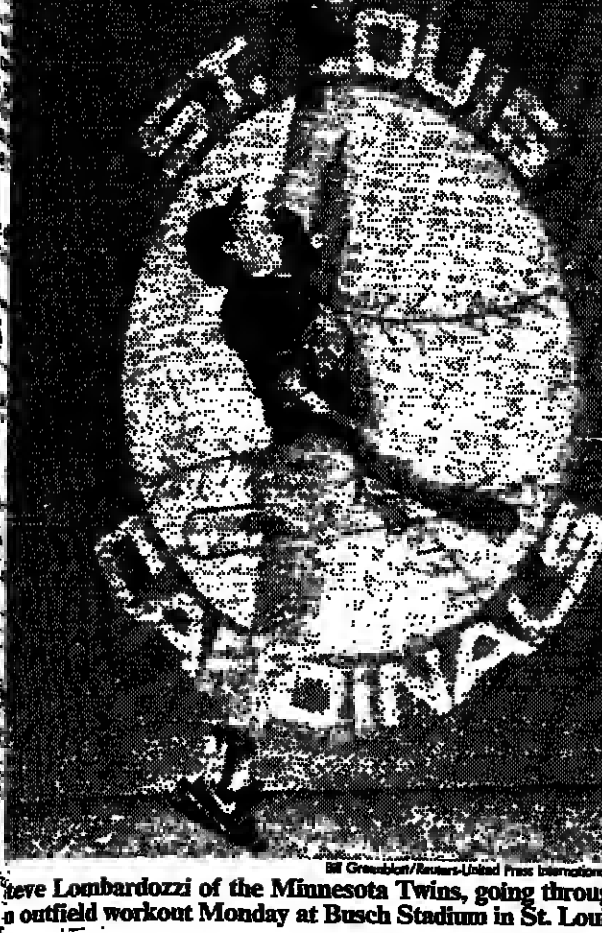
"History says the odds are against us," added Tudor. "But if we listened to history, we wouldn't have beaten San Francisco (in 1987) or Los Angeles (in '85) or the Brewers (in '82). Or lost to Kansas City (in '85)."

happy too soon; conversely, it may be far easier than ever before to panic when you feel the humiliation of losing something you thought you owned.

imagine counting chickens? What Cardinals would think of quitting? Both teams recognize the obvious dynamic at work in this Series. The Twins are a big-inning American League team that has laid on the Cardinals two of the larger innings in Series history.

and-run speed National League team. "They say speed never goes into slumps," says Herzog. "That's not true."

eyes; now all are impatient, especially Herr (no walks). Play out this scenario, for him Tudor wins Game 3 and Viola takes No. 4 (for they both lose — either way, 3-1 Twins). Kelly starts Bert Blyleven in No. 5, going for the quick kill, just as he did against Detroit. Herzog counters with Bob Forsch, as he's said he will. On three days' rest, the 36-year-old Blyleven has a poor day. The Twins bullpen can't hold. St. Louis steals a wild one. Back to Minnesota where a rested Danny Cox beats Straker — hardly a remote possibility.



Steve Lombardozzi of the Minnesota Twins, going through an outfield workout Monday at Busch Stadium in St. Louis.

Two English Teams Are Resurrected After the Bedlam and Inferno of 1985

International Herald Tribune
LONDON — If you give credit to sport as a microcosm of life, there is a timely message of renewal in England's soccer back-

merely because it is winning again but because it has grown to embrace the higher ideal that sport also has a duty to entertain.

They know I like to go on a run past three or four defenders. It is neither my style nor my nature to go clattering into people — I try to hurt defenders with the ball and with my skill.



John Barnes, right, keeping Arsenal's Steve Williams at bay; "I sense the buzz from Liverpool fans when I get the ball."

SPORTS BRIEFS

French Rugby Team Sets 1988 Tour
PARIS (AFP) — The French national rugby union team will tour Argentina and Paraguay next year, it was announced Tuesday.

Rob Hughes
wing. For years Liverpool triumphed without wingers. It had functional, aggressive, dual-purpose runners who defended as readily as they attacked.

Of course, the team suffered. After Bradford burned it had to sell its most experienced, and it sacked its manager. But through the struggle its community cared, and together they have new hope of rising to Division 1.

SCOREBOARD

Table with columns for Football, College Top-20 Polls, NFL Standings, and Hockey. Includes team names and scores.

Tennis Leaders

Table listing tennis players and their earnings, including Ivan Lendl, Bjorn Borg, and Martina Navratilova.

Large advertisement for International Classified, featuring various escort services, Regency NY, Zurich + Caroline, Geneva + Desree, Geneva + Ginger's, Zurich Susan, and other agencies. Includes contact information and services offered.

Advertisement for Blancpain watches, featuring a detailed image of a watch and text: "Since 1735 the oldest name in swiss watchmaking. But don't expect to find a quartz in a Blancpain watch. You won't. And you never will."

